DOCUMENT RESUME

ED 228 516 CE 035 710

AUTHOR Ashmore, M. Catherine; Pritz, Sandra G.
TITLE PACE (Revised). Instructor Guide. Level 3. Research & Development Series No. 240C.
INSTITUTION Ohio State Univ., Columbus. National Center for Research in Vocational Education.
SPONS AGENCY Office of Vocational and Adult Education (ED), Washington, DC.
PUB DATE 83
CONTRACT 300-78-0032
NOTE 228p.; For related documents, see CE 035 672-729.
AVAILABLE FROM National Center Publications, Box F, The Ohio State University, 1960 Kenny Road, Columbus, OH 43210 (Complete set--$120.00; individual levels--$45.00 each; instructors' guides--$14.50 each; resource guide-$7.95; module sets--$35.00 each level; individual modules--$2.50 each).
PUB TYPE Guides - Classroom Use - Guides (For Teachers) (052)

EDRS PRICE MF01/PC10 Plus Postage.
DESCRIPTORS Adult Education; Behavioral Objectives; Business Administration; *Business Education; Career Choice; Competency Based Education; *Course Content; Course Descriptions; *Entrepreneurship; Learning Activities; Lesson Plans; Postsecondary Education; Retraining; *Small Businesses; Student Projects; Teaching Guides; Transparencies
IDENTIFIERS *Program for Acquiring Competence Entrepreneurship

ABSTRACT

This teaching guide is intended for use in implementing the third level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). Designed for use with advanced secondary students, postsecondary students, and adults wanting training or retraining for direct application, the third level of PACE consists of 18 units with an emphasis on policies and strategies for managing your own business, skill building, planning in detail, and preparing for implementation. The units assume previous knowledge and experience in the area. A project entitled "Putting All the Parts Together" is presented that is designed to encourage students to apply the competencies gained at level 3 by completing a procedure book that can serve as a training manual and reference for future planning. The project is suggested for use by individual students or groups as a final entrepreneurship evaluation. Check sheets for each unit/module are provided to assist in writing out a business plan, and basic forms to be used in operating the business are included. The next section provides teaching outlines for each module/unit that contain module objectives, basic content detail, and teaching suggestions. The materials provided in the manual's next four sections include transparency masters, handouts, model activity responses, and model assessment responses. A listing of selected curriculum resources is found in the final section. (YLB)

Research & Development Series No. 240 C

ED228516

PACE (Revised)

Instructor Guide

Level 3

Developed by

M. Catherine Ashmore
and
Sandra G. Pritz

The National Center for Research in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

1983

CE035710

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

✓ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

THE NATIONAL CENTER MISSION STATEMENT

The National Center for Research in Vocational Education's mission is to increase the ability of diverse agencies, institutions, and organizations to solve educational problems relating to individual career planning, preparation, and progression. The National Center fulfills its mission by:

- Generating knowledge through research
- Developing educational programs and products
- Evaluating individual program needs and outcomes
- Providing information for national planning and policy
- Installing educational programs and products
- Operating information systems and services
- Conducting leadership development and training programs

For further information contact:

Program Information Office
National Center for Research
in Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

Telephone: (614) 486-3655 or (800) 848-4815
Cable: CTVOCEDOSU/Columbus, Ohio
Telex: 8104821894

FUNDING INFORMATION

Project Title:	Revision of Entrepreneurship Modules
Contract Number:	300780032
Project Number:	051 MH20004
Educational Act Under Which the Funds Were Administered:	Education Amendments of 1976, P.L. 94-482
Source of Contract:	U.S. Department of Education Office of Vocational and Adult Education Washington, DC 20202
Contractor:	The National Center for Research in Vocational Education The Ohio State University Columbus, Ohio 43210
Executive Director:	Robert E. Taylor
Disclaimer:	This publication was prepared pursuant to a contract with the Office of Vocational and Adult Education, U.S. Department of Education. Contractors undertaking such projects under government sponsorship are encouraged to express freely their judgment in professional and technical matters. Points of view or opinions do not, therefore, necessarily represent official U.S. Department of Education position or policy.
Discrimination Prohibited:	Title VI of the Civil Rights Act of 1964 states: "No person in the United States shall, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance." Title IX of the Education Amendments of 1972 states: "No person in the United States shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity receiving Federal financial assistance." Therefore, the National Center for Research in Vocational Education Project, like every program or activity receiving financial assistance from the U.S. Department of Education, must be operated in compliance with these laws.

TABLE OF CONTENTS

FOREWORD v

INTRODUCTION TO PACE (Revised) 1

HOW TO USE PACE 5

OBJECTIVES OF PACE (Revised) 7

PUTTING ALL THE PARTS TOGETHER 13

TEACHING OUTLINES 47
- UNIT 1: UNDERSTANDING THE NATURE OF SMALL BUSINESS 49
- UNIT 2: DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR 51
- UNIT 3: DEVELOPING THE BUSINESS PLAN 53
- UNIT 4: OBTAINING TECHNICAL ASSISTANCE 54
- UNIT 5: CHOOSING THE TYPE OF OWNERSHIP 56
- UNIT 6: PLANNING FOR MARKETING STRATEGY 58
- UNIT 7: LOCATING THE BUSINESS 59
- UNIT 8: FINANCING THE BUSINESS 60
- UNIT 9: DEALING WITH LEGAL ISSUES 62
- UNIT 10: COMPLYING WITH GOVERNMENT REGULATIONS 64
- UNIT 11: MANAGING THE BUSINESS 66
- UNIT 12: MANAGING HUMAN RESOURCES 67
- UNIT 13: PROMOTING THE BUSINESS 69
- UNIT 14: MANAGING SALES EFFORTS 72
- UNIT 15: KEEPING THE BUSINESS RECORDS 74
- UNIT 16: MANAGING THE FINANCES 77
- UNIT 17: MANAGING CUSTOMER CREDIT AND COLLECTIONS 80
- UNIT 18: PROTECTING THE BUSINESS 82

TRANSPARENCY MASTERS 85

HANDOUTS 161

MODEL ACTIVITY RESPONSES 193

MODEL ASSESSMENT RESPONSES 205

SELECTED CURRICULUM RESOURCES 255

FOREWORD

Traditionally vocational education has been geared primarily to preparing students for employment—to preparing employees. Yet there is another career path available; students can learn how to set up and manage their own businesses. They can become entrepreneurs. Those adults who have already become entrepreneurs can learn the skills necessary to make their businesses thrive.

Vocational education, by its very nature, is well suited to developing entrepreneurs. It is important that entrepreneurship education be developed and incorporated as a distinct but integral part of all vocational education program areas. A Program for Acquiring Entrepreneurship (PACE) represents a way to initiate further action in this direction.

This comprehensive entrepreneurship curriculum was originally developed by the National Center for Research in Vocational Education in 1977. PACE has been available for several years in its original form. Testing and feedback from the field, as well as need for updating, were the reasons for this revised edition of PACE. The revision of this program is testimony to the dynamic nature of the body of knowledge about entrepreneurship.

The strength behind this entrepreneurship program is the interest and involvement of the following educators and entrepreneurs, the revision authors:

Author	PACE Unit
Dr. James Burrow University of Northern Iowa	Planning the Marketing Strategy Promoting the Business
Mr. Gary Bumgarner Mountain Empire Community College	Complying with Government Regulations Locating the Business
Mr. Richard Clodfelter Virginia Polytechnic Institute	Managing the Business Protecting the Business
Dr. Rod Davis Ball State University	Financing the Business Managing Human Resources
Dr. Vivien K. Ely Virginia Commonwealth University	Developing the Business Plan Obtaining Technical Assistance
Ms. Lee Hakel Organizational Research and Development	Managing Human Resources
Dr. Donald Kohns University of North Dakota	Managing Customer Credit and Collections Managing the Finances

Author	PACE Unit
Dr. Carolyn G. Litchfield Memphis State University	Dealing with Legal Issues Keeping the Business Records
Ms. Patty Russell Patty Russell Marketing Media Company	Determining Your Potential as an Entrepreneur Understanding the Nature of Small Business
Mr. Dan R. Spillman The Ohio State University	Choosing the Type of Ownership Managing Sales Efforts

Special recognition is extended to M. Catherine Ashmore, Research Specialist, and Sandra G. Pritz, Program Associate, who directed this effort. Appreciation is also expressed to Linda A. Pfister, Associate Director, and to the many National Center staff members and consultants who assisted on the project.

We appreciate the extensive efforts of all involved in revising PACE to reflect the most comprehensive approach available for entrepreneurship education. The possibilities for use of this curriculum at three different levels of experience add further challenge for leadership among vocational educators at the secondary, postsecondary, and adult level.

Robert E. Taylor
Executive Director
The National Center for Research in
Vocational Education

INTRODUCTION TO PACE (Revised)

A Program for Acquiring Competence in Entrepreneurship (PACE) is a modularized competency-based program of instruction. PACE evolved out of the need for new materials to assist in the development of entrepreneurs and the need for a flexible and adaptable program geared to a variety of student requirements, educational settings, and stages of individual career development. Several premises influenced the development of PACE:

1. Entrepreneurship education is basically lacking in our schools. The entrepreneurship education that does occur is infused into existing courses and programs in the vocational disciplines.

2. Generally, educators prepare individuals to be employees, not employers. There is a need for a program to help educate students to be employers.

3. Career education has done little to acquaint individuals with entrepreneurship as a career option.

4. The content of an instructional program must be based on research findings.

5. Certain learnings are generic and basic to entrepreneurship regardless of the type of business. There are also some specialized tasks required by each type of business.

6. Training to be an entrepreneur includes preparation in three major areas: (1) awareness of what it takes to become an entrepreneur, (2) knowledge of what is needed to establish a business, and (3) application of entrepreneurship principles to organizing and managing a business.

7. Established and available instructional materials from governmental and reputable commercial publishers provide the major resource for day-to-day classroom instruction.

8. An instructional program is useful only if it is flexible enough to be used in a variety of learning settings.

9. Instructional materials must be adaptable to a variety of teaching/learning styles.

10. A viable instructional program includes materials adequate for instructor/student planning, and also resources for student learning.

11. Learning is best accomplished when it is a process of progression from the simple to the complex and when it meets present student needs.

Each level of PACE has a set of instructional units. The units deal with a competency or a set of competencies. Each unit is learner centered with opportunities for instructor enrichment and facilitation. All units are self-contained and are independent of each other. They are, however, sequenced in a logical progression of topics for a person considering entrepreneurship. All units follow the same format and include the following:

- Objectives
- Preparation
- Overview
- Content
- Activities
- Assessment
- Notes and sources

PACE is available at three levels of learning. Each level progresses from simple to complex concepts. The three levels of learning pattern is based on the belief that student achievement is greater when learning is sequenced from basic, fundamental concepts to more advanced, complex skills in an organized fashion and when it meets the present needs of the students. The three levels of PACE are described in the following chart.

Three Levels of PACE

Level 1	An introduction or orientation to entrepreneurship topics; allows students to become familiar with the concepts involved and to develop an awareness of entrepreneurship as a career option.
Target audience:	secondary level
Possible settings:	vocational programs career education courses
Length of units:	approximately one hour of class time
Reading level:	7th grade
Activities:	short-term application activities

Level 2 An opportunity to learn about and try out entrepreneurship ideas enough to make a preliminary assessment of how they relate to personal needs. Knowledge oriented; detailed explanation of the principles. Planning oriented; how to find information and use techniques. Venture oriented; encouragement for dreaming about or for creating a possible future business.

Target audience: advanced secondary level
beginning postsecondary level
adults without previous knowledge about the area

Possible settings: vocational programs
adult education classes
all occupationally oriented courses

Length of units: approximately two hours of class time

Reading level: 9th grade

Activities: applications using existing businesses as sources of information

Level 3 Emphasis on policies and strategies for managing your own selected business; skill building; planning in detail and preparing for implementation. Assumes previous knowledge and experience.

Target audience: postsecondary level
advanced secondary level
adults wanting training or retraining for application

Possible settings: all occupationally oriented courses
continuing education

Length of units: approximately three hours of class time

Reading level: 10th grade

Activities: actual application of a business plan

HOW TO USE PACE

Although PACE is designed in individualized competency-based units, the depth of your students' experience with the program will depend to a large extent on the facilitation and enrichment you can provide. The materials provide for flexibility in implementation—only you can decide how to use them to best meet the needs of your students, individually and as a group.

Since PACE is available at three levels (described previously), you may have chosen one or more levels for your classroom. If you have individuals in your class who are not ready for the level(s) you have or who could go further, you will want to provide supplementary assistance. Additional resources listed in the *Instructor Guide* and in the *Resource Guide* may be helpful.

It would be a good idea at the outset to go over the *Resource Guide's* directions on HOW TO USE PACE with your students. Here are some supplementary notes for you, based on the materials provided in this *Instructor Guide*:

- Use the objectives as a pretest. If a student feels able to meet the objectives before using the unit, ask him or her to read the assessment questions and do a self-assessment. Afterward, if the student feels prepared, go ahead with the assessment.

- Duplicate the glossary from the *Resource Guide* to use as a handout, if you wish.

- Use the teaching outlines provided in this *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists the objectives with the corresponding headings (margin questions) from the unit. Teaching suggestions for these topics are listed on the right side wherever the authors had a suggestion to include. Space is also available for you to add your own ideas. Try to increase student involvement in as many ways as possible to foster an interactive learning process.

- Use the transparency masters to help lead class discussions as desired.

- When your students are ready to do the activities, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship. Help your students find out if their responses to objective types of activities are correct. Model activity responses for these have been provided wherever possible to assist you.

- Assess your students on the unit content when they indicate that they are ready. You may choose written or verbal assessments according to the situation. Model responses to the assessment questions are provided for each unit. While these are suggested responses, others may be equally valid. Give your students guidance on whether they should go on to another unit.

OBJECTIVES OF PACE (Revised)

Unit 1 - Understanding the Nature of Small Business

1. Analyze the personal advantages of owning your own small business.
2. Analyze the personal risks of owning your own small business.
3. Analyze how to maximize the opportunities and minimize the risks of owning your own business.
4. Determine what entrepreneurial skills you would need to start your own business.

Unit 2 - Determining Your Potential as an Entrepreneur

1. Consider the personal qualifications and abilities needed to manage your own business.
2. Evaluate your own potential for decision making, problem solving, and creativity.
3. Determine your potential for management, planning, operations, personnel, and public relations.

Unit 3 - Developing the Business Plan

1. Identify how the business plan helps the entrepreneur.
2. Recognize how a business plan should be organized.
3. Identify and use the mechanics for developing a business plan.

Unit 4 - Obtaining Technical Assistance

1. Prepare for using technical assistance.
2. Select professional consultants.
3. Work effectively with consultants.

Unit 5 - Choosing the Type of Ownership

1. Analyze the appropriate choice of ownership for your business.
2. Follow the steps necessary to file ownership for your business.
3. Define policies and procedures for a successful, multiple-owner operation.

Unit 6 - Planning the Market Strategy

1. Use goods classifications and life cycle analyses as planning tools for marketing.
2. Develop and modify marketing mixes for a business.
3. Use decision-making tools that aid in evaluating marketing activities.
4. Evaluate operations to improve decision making about marketing.

Unit 7 - Locating the Business

1. Analyze customer transportation, access, parking, and so forth, relative to alternative site locations.
2. Complete a location feasibility study for your business.
3. Determine the costs of renovating or improving a site for your business.
4. Prepare an occupancy contract for your business.

Unit 8 - Financing the Business

1. Describe the sources of information available to help in estimating the financing necessary to start your new business.
2. Determine the financing necessary to start your new business.
3. Prepare a projected profit and loss statement and a projected cash flow statement for your new business.
4. Prepare a loan application package.

Unit 9 - Dealing with Legal Issues

1. Determine your need for legal assistance.
2. Select the provisions that you desire in a lease.

3. Prepare sales contracts (such as credit sales or long-term sales) that may be utilized in your business.
4. Evaluate contracts.
5. Determine your needs for protection of ideas and inventions.

Unit 10 - Complying with Government Regulations

1. Appraise the effects of various regulations on your business operations.
2. Acquire the information necessary to comply with the various rules and regulations affecting your business.
3. Develop policies for your business to comply with government rules and regulations.

Unit 11 - Managing the Business

1. Plan goals and objectives for a business.
2. Diagram the organizational structure for a business.
3. Establish control practices and procedures for a business.

Unit 12 - Managing Human Resources

1. Write a job description for a position in your business.
2. Develop a training program outline for employees.
3. Develop a list of personnel policies for employees in your business.
4. Develop an outline for an employee evaluation system.
5. Plan a corrective interview with an employee concerning a selected problem.

Unit 13 - Promoting the Business

1. Create a long-term promotional plan.
2. Describe the techniques used to prepare advertising and promotion.
3. Analyze competitive promotional activities.
4. Evaluate promotional effectiveness.
5. Plan a community relations program.

Unit 14 - Managing Sales Efforts

1. Develop a sales plan for your business.
2. Develop policies and procedures for serving your customers.
3. Develop a plan for training and motivating salespeople.

Unit 15 - Keeping the Business Records

1. Determine who will keep the books for your business and how they will be maintained.
2. Describe double-entry bookkeeping.
3. Select the types of journals and ledgers that you will use in your business.
4. Identify the types of records that you will use in your business to record sales, cash receipts, cash disbursements, accounts receivable, accounts payable, payroll, petty cash, inventory, budgets, and other items.
5. Evaluate your business records.
6. Identify how a microcomputer may be used to keep the business records.

Unit 16 - Managing the Finances

1. Explain the importance of cash flow management.
2. Identify financial control procedures.
3. Describe how to find cash flow patterns.
4. Analyze trouble spots in financial management.
5. Describe how to prepare an owner's equity financial statement.
6. Describe how to compute various financial ratios.
7. Analyze financial management ratios applicable to a small business.
8. Identify the components of break-even analysis.
9. Compute and analyze break-even point problems.
10. Review microcomputer applications for financial management.

Unit 17 - Managing Customer Credit and Collections

1. Analyze the legal rights and recourse of credit grantors.
2. Develop a series of credit collection reminder letters and follow-up activities.
3. Develop various credit and collection policies.
4. Prepare a credit promotion plan.
5. Discuss informational resources and systems that apply to credit and collection procedures.

Unit 18 - Protecting the Business

1. Prepare policies for your firm that will help minimize losses due to: employee theft, vendor theft, bad checks, shoplifting, robbery, injury, and product liability.
2. Determine the kinds, amount, and cost of insurance needed by your firm.

PUTTING ALL THE PARTS TOGETHER

Note to Instructor:

This section contains a project designed to encourage the student to apply the competencies gained at this level. It could be used by individual students or groups as a final entrepreneurship evaluation.

PACE PROJECT
LEVEL 3

PUTTING ALL THE PARTS TOGETHER

This project is designed to help those who are ready to open a business or those who have already started a new venture. It asks you to put in writing the plans and procedures for making your business a success.

To assist you in writing out your business plan, use the following check sheets, which have been designed to support the information in each of the eighteen PACE modules. Your plan should describe what you are doing, why you are doing it, and how it will be done. It will include basic forms to be used in operating your business. When completed, this *Guide* will give you the specific details to operate by and to measure success or problems.

As you read the module *Managing the Business*, you will see that a complete master plan involves all kinds of planning activities. As you complete this project be sure to include budgets, schedules, standards, forms, policies, and procedures for accomplishing each section of your operation.

When you have finished with this project, you will have a complete procedure book for your business. It can serve as a training manual and a reference for future planning.

Good Luck

Section 1—Describe Your Small Business

- Describe your business venture briefly.
- What products do you offer?
- What services do you offer?
- Who are your customers?
- Why do they need your business?
- What is your position in your industry segment?
- How do your customers define your business?
- What are the major risks faced by this business?
- What are the major reasons this business will be successful?
- Is the company name effective?
- What image does the business project to the general public?

Section 2—What Is Your Potential as an Entrepreneur?

Describe your personal reasons for wanting to be an entrepreneur. Include the following questions:

- In what ways am I creative?
- What experience have I had with leadership?
- What are my experiences with decision making?
- Do I usually prefer to be independent?
- What are my skills and weaknesses in human relations?
- What education do I have to be successful?
- What experience do I have to be successful?
- What are my communication skills and weaknesses?
- What are my math skills and weaknesses?
- What family support do I have?
- What other personal reasons do I have for being an entrepreneur?

This module helps you prepare a comprehensive plan for your new venture. It is detailed enough to give you and financial supporters confidence in what you plan to do.

Complete the details as identified within the text of the module. Remember that this presentation should be written to share the business plan with potential financial supporters.

Additional planning and procedures will be developed as you complete this project in other sections of PACE. The difference is that this additional planning may be for your information or eyes only. It provides more detail, more ideas, and procedures that you may wish to keep for your private information.

Now for your basic business plan. Complete your plan as you move through PACE. Follow the business plan outline on the next pages.

BUSINESS PLAN OUTLINE

Cover Sheet:
Name of business
Name of owner(s)
Address and telephone number of business or where owner(s) can be reached
Date presented

First Sheet:
Statement of purpose
Name of business and address
Amount of financing needed
Purpose of financing
Statement of profit potential

Section I: Description of business
A. Describe the business and the product or service you will sell.
B. Discuss the history of the business, if any.
C. Discuss your experiences.
D. Discuss the growth possibilities for the business and your reasons for believing the business will be successful.

Summary

Present two or three summary paragraphs.

Paragraph 1
Summarize the description of the business. Give the name and address of the business, the type of business, your product or service, the name(s) of the owner(s), the amount of money needed, and the purpose of the financing.

Paragraph 2
Summarize the marketing plan. Describe the potential market, and how you will attract customers. Describe your competition and your selling methods.

Paragraph 3
Summarize your organization plan in terms of management personnel and qualifications, and legal structures.

Financial Data

Complete financial data should be included in this section. The following financial reports should be included:

1. Sources and application of financing (shows how much money you will need and where you propose to obtain it)

2. Capital equipment list (lists all equipment of value owned by the business that could be used as security for a loan)

3. Beginning balance sheet (shows the financial condition of the business as of the date stated: assets, liabilities, net worth)

4. Break-even analysis (shows the level of sales needed for the company to break even and cover expenses each month)

5. Annual projected income statement and explanatory notes (shows sales, cost of goods sold, gross profit, expenses, and net profit for each of the first three years)

6. Monthly projected income statements (shows estimated income for the first year by month and for the second and third years by quarter)

7. Monthly and quarterly cash flow projections and explanatory notes (shows the actual anticipated movement of cash within the business)

Section II: Marketing plan
- A. Describe your potential customers and how you plan to attract and hold them.
- B. Describe your competition, how their businesses are currently faring, and how your business will be superior to each competitor.
- C. Describe your sales promotion plan, your selling methods, your purchasing plan, your best suppliers, and what they offer.
- D. Describe your location, its features, what factors influenced you to choose it, your floor layout, and how all location factors influence marketing. Tell what equipment you need.

Section III: Organization plan
- A. Describe your management personnel, what each manager will do, their qualifications for the job, and their salaries for the first three years.
- B. Discuss any consultant or specialist services you will use and the assistance each will provide.
- C. Describe the employees you will need, what each will do, and how you will employ, pay, train, and supervise them.

D. Describe the legal structure and how it will contribute to the business. Name your officers, if any, and present an organization chart.
E. Describe your plan for managing finances and recordkeeping after the business gets going.
F. Discuss any licenses, permits, or regulations that affect your business.

Section IV: Financial plan

A. Include the Application and Expected Effect of Loan report to show how you plan to use the financing.
B. Explain in short sentences each entry on the Application and Expected Effect of Loan report.

Section 4—Obtaining Technical Assistance

Who can provide technical assistance in your community relating to the following needs of your business? (List specific sources, costs, location of all options.)

- Decision to open your business or buy an existing business
- Improving your technical and management skills
- Constructing your business plan
- Finding sources of technical assistance
- Deciding whether to organize as a corporation, sole proprietorship, partnership, franchise, or cooperative
- Filing ownership
- Developing a marketing plan
- Evaluating operations to improve marketing decisions
- Selecting a location
- Determining cost of site improvement
- Contracting for occupancy
- Analyzing start-up costs
- Projecting profit and loss statements and cash flow needs
- Preparing a loan application package
- Selecting legal assistance
- Determining contract responsibilities
- Learning about government regulations related to your business
- Filing appropriate documents
- Creating procedures to carry out goals
- Evaluating management activities to solve problems
- Finding potential employees
- Training employees

- Evaluating employees
- Developing promotional activities
- Evaluating promotions
- Setting up a sales plan
- Creating customer service policies
- Training salespeople
- Setting up business records
- Evaluating business records
- Preparing financial reports
- Analyzing finances
- Assessing the need to offer credit
- Evaluating types of credit to offer
- Managing credit accounts
- Evaluating customers' credit potential
- Choosing insurance
- Protecting against theft risks

Section 5—Choosing the Type of Ownership

1. Analyze the advantages and disadvantages to you and your business in choosing each of the types of ownership:

	Advantages	Disadvantages
Sole Proprietorship		
Partnership		
Corporation		
Franchise (if appropriate)		
Cooperative (if appropriate)		

2. Develop the contracts necessary to establish ownership.

3. Develop the policies and procedures necessary to effectively operate in this form.

Section 6—Planning the Marketing Strategy

- Describe your firm's involvement with these functions of marketing:
  - Product or service development
  - Exchange
  - Transporting
  - Storing
  - Financing
  - Pricing
  - Communication with customers
  - Information analysis
- Describe your target market in terms of:
  - Who
  - Primary needs
  - Where located
  - How do they shop
  - Average expenditures for item(s)
  - Customers' opinions of competitors
- Estimate the value of the market and your anticipated share:
- Describe your planned marketing mix in terms of:
  - Product
  - Price
  - Place
  - Promotion
- Describe procedures for evaluating your marketing plan in terms of:
  - Sales
  - Costs
  - Personnel performance
  - Customer attitudes
- Describe procedures for buying merchandise. Consider the following questions:
  - Who does the buying for your business?
  - Who sells the lines you plan to use?
  - Will you buy from manufacturers, jobbers, through wholesalers, or through buying offices?
  - Which buying resource do you use?
  - How quickly can the vendor deliver orders? fill-in orders?
  - What are the terms of sale?
  - Can you establish terms of credit?
  - Will you make buying trips to the central markets? How often?
  - What will be on a purchase order form for your business?

- Your stock control system should enable you to determine what needs to be ordered on the basis of (1) what is on hand, (2) what is on order, and (3) what has been sold. Describe procedures for controlling the inventory. Consider the following questions:

  - What are the duties that have to be performed from the time the truck arrives at your business until the goods are moved into stock or storage?
  - What happens when you receive damaged or spoiled goods?
  - What happens when there is a shortage of goods?
  - Who is notified?
  - What kind of check is made for quality and quantity of merchandise received?
  - What method will you use to know when goods should be reordered and what number of goods to reorder?
  - Where will stock be placed?
  - How will the system be organized to find merchandise?

- Describe procedures and plans for pricing merchandise. Consider the following questions:

  - In what price ranges are your lines of merchandise sold (quality, medium, low)?
  - Which range will you stock?
  - Will you sell only for cash?
  - If you offer credit, will your price have to be higher than if all sales are for cash? (The credit costs will have to come from somewhere. Plan for them.)
  - If you use a known credit card system, what will it cost you? Will you have to add to your prices to absorb this cost?
  - Will your business use odd pricing? Why?
  - Will you use a one price policy or a variable pricing policy? Why?
  - Will the business use leader pricing on some items? What about loss leader pricing?

- Describe your customer service policies. The services you provide your customers may be free to them, but not to you. For example, if you provide parking, you pay for your own parking lot or pick up your part of the cost of a lot that you and other retailers use. Consider the following questions:

  - List the services that your competitors provide customers.
  - How many of these services do you have to provide just to meet competition?
  - What services would attract customers that your competitors are not offering?
  - What services does your store offer only during certain periods of the year? (Example: layaway at Christmas time.)
  - List any services that you might offer that your customers might pay for. (Example: gift wrapping.)
  - How does your credit policy work?
  - Explain your delivery policies. If you offer delivery services, will you have your own equipment or will you contract to use a consolidated delivery service?
  - What is your policy on returned merchandise?
  - You will have to formulate business hours that will serve the needs of your customers. What days will you be open? What will be the hours the business will be open?

Section 7—Location

Describe your business in terms of each of the following items:

1. Description of Location
   - Appearance
   - Type of traffic
   - Size of traffic
   - Access to transportation needs
   - Access to suppliers
   - Media availability
   - Space for expansion
   - Parking facilities
   - Advantages
   - Disadvantages

2. Economics of Area
   - Predominant industries in area
   - Seasonal or steady business
   - Movement in and out of area
   - Growth of area (new roads, government projects, new industries)

3. Population
   - Income patterns of the area
   - Population in a growth or decline pattern
   - Age make-up of area
   - Educational levels of population
   - Employment/unemployment trends

- Number of homes owned or rented
- Change in population
- Average income

4. Competition
   - Number of competitors
   - Location of competitors
   - Size of competitors
   - Customer opinion of competitors
   - History of competition failure in this area

5. Building
   - Occupancy history/problems
   - Physical condition
   - Repairs required by lease (if any)
   - Type of floor covering
   - Type of heating/air conditioning
   - Type of lighting system
   - Outside lighting
   - Fire protection
   - Burglar control systems
   - Color scheme (particularly in customer areas)
   - Layout of your business for efficient traffic flow
   - Equipment on premises
   - Equipment needed

Section 8—Financing the Business

Demonstrate the steps to be followed in planning and securing financing for your company.

Step 1 Investigate your financial needs

- List information obtained from government agencies.
- List information obtained from banks.
- List information obtained from suppliers.
- Determine the operating ratio in your field.
- List particular considerations for your financing needs.

Step 2 Determine type and amount of financing needed

- Estimate sales based on industry information.
- Estimate start-up costs.
- Estimate monthly operating expenses.
- Estimate personal living expenses.

Step 3 Prepare financial estimates for loan application package

- Prepare monthly projected profit and loss statement.
- Prepare projected monthly cash flow plan for first year.
- Prepare your personal balance sheet.

Step 4 Determine the advantages and disadvantages of local options

- Set priorities for approaching and using various sources.

Step 5 Prepare the loan application package

- Check procedures desired by selected lender(s).
- Describe your situation.
- Explain loan request.
- Describe your personal qualification.
- Provide business plan.
- Provide financial projections.

Section 9—Dealing with Legal Issues

Identify activities of your business that involve legal issues. Write policies and procedures that will minimize potential problems.

Consider these items:

- Purchase of goods on credit
- Long-term sales contracts
- Mortgage
- Deeds of trust
- Leases on property, equipment, etc.
- Taxes
- Insurance contracts
- Unions or employee agreements
- Credit to your customers
- Packaging or product design
- Advertising
- Profit sharing
- Trademarks, patents, brand names
- Price discrimination
- Customer warranties, general satisfaction
- Checks

Section 10—Complying with Government Regulations

Develop policies and procedures for dealing with each of the following types of government regulation as they pertain to your business:

- Protection of competition
  - Sherman Act
  - Clayton Act
  - Robinson Datman Act
  - The Federal Trade Commission Act
- Protection of employees
  - OSHA
  - State regulations for health and safety
  - Office of Wage and Hour, U.S. Department of Labor
  - Public Contracts Division, U.S. Department of Labor
  - Social Security Administration
  - Workers' Compensation
  - State Labor Office
  - Fair employment practice laws
  - Union formation and operation
- Protection of consumers
  - Credit protection
  - Food and Drug Administration
  - Pure Food and Drug Act
  - Fair Packaging and Labelization Act
  - Truth-in-Fabrics Legislation
  - Warranties
- Protection of environment
  - Clean air
  - Solid waste disposal
  - Water quality
  - Noise control
  - Toxic substances
- Licenses and Permits
  - State
  - Local
  - Federal
  - Employer's Social Security Identification Number
  - Sales tax permit
  - Special industry licenses
  - Zoning laws

- Building codes
- Health standards
- Fire standards

- Taxes

  - Social Security
  - Federal excise taxes
  - Federal income taxes
  - State income tax
  - Local income tax
  - Withholding employee taxes

Section 11—Managing the Business

Describe your plans and procedures for managing the business, then evaluate your abilities to accomplish the following management functions (refer to the work you did on the Student Form No. 1):

- Business problems that require management decisions
- Long-term goals
- Short-term objectives
- Policies to support goals and objectives
- Procedures for meeting goals and objectives
- Effectiveness of your business organization
- Organization chart
- Job description for all personnel
- Timelines for goals and objectives
- Quality control procedures
- Methods of evaluation

Evaluate these plans by completing the attached evaluation form.

MANAGEMENT EVALUATION

Evaluate Your Master Plan

- In what ways did you see the situation as a whole?
- How did you divide the whole into working parts?
- Were your objectives analytical?
- Were you able to work with the unknown?
- Were you able to avoid getting buried in detail?

Evaluate Your Ability in Crisis Planning

- Maintain a relaxed state of mind.
- Focus on the logical outcomes of different solutions.
- Initiate decision making.
- Act decisively once you decide.
- Avoid fear of failure.

Evaluate Your Directing Skills

- Do you decide what the message is before you begin to deliver it?
- Do you decide what medium would communicate the message most effectively to your employees?
- Do you take into account the values and backgrounds of your employees and phrase the message so they will understand it?
- Are you aware of the mental and physical state of employees when you communicate?
- Do you think through the timing, sequence of thought, locale, and style of the message?
- Do you ask questions to make sure employees understand the communication?
- Do you follow up on whatever action you indicated in the communication?

- Prepare a job analysis for each position in the business.
- Write a job description for each position.
- Answer the following questions about hiring employees.
  - Number of employees needed
  - Major duties of each
  - Write a newspaper "help wanted" ad you would place to attract workers.
  - What caliber of employees are you looking for?
  - Where will you find these people?
  - How will you select from your applicants?
  - What sort of tests will you give applicants?
  - Is a physical required?
  - What sort of training and development programs will they have?
  - How long will the tryout period be for new employees?
  - What will be the rate of pay?
  - What will be the method of payment (salary, commission, combination, etc.)?
  - How often will the employees be paid?
  - What are the opportunities for growth, advancement, promotion within the business? What is the policy on transfers? What is your policy on promotions? Do you promote from within the company?
  - Will you offer your employees a discount on merchandise they purchase at the business? How much of a discount?
  - What fringe benefits are offered?
  - Vacation, holiday, free days policies
  - Hospitalization and medical care. If offered, who pays?
  - What about labor organizations?
  - What are the policies on termination of employment (voluntary, with cause)?
  - What sort of employee evaluation will you have? How often?
  - Pension and retirement plans you will offer
- Identify training needs and establish positions.
- Develop a training program for new employees.
- Develop a training program for continuous upgrading of employees.
- Describe plans for dealing with unions (if applicable).
- Develop written personnel policies. Include the business rules and regulations that employees will have to follow. Consider the following items:
  - Smoking
  - Chewing gum
  - Lunch (how much time?)
  - Eating while working
  - Visiting with friends or employees during working hours

- Leaving assigned area during working hours
- Breaks (how often, how long)
- Using telephone for personal business
- Storing coat, purse, parcels, etc.
- If they are sick and can't report to work
- If they become ill while working
- If they want time off for an activity
- Rules of punishment for dishonesty
- If delayed coming to work
- Any other rules that would pertain to your type of business

- Develop an employee agreement form.
- Develop an employee evaluation process and form.
- Develop procedures for dealing with correcting employees.
- Describe plans for motivating employees.
- Describe plans for internal communications.

Section 13—Promoting the Business

Develop a promotion plan for the first year of your business. In this plan identify the following:

- Target market
- Promotional objectives
- Promotion budget based on estimated monthly sales
- Media to be used
- Media schedule
- Budget breakdown by media selection
- Overall theme
- Samples of the campaign materials
- Plans for use of an ad agency
- Public relations plan
- Ad layouts, copy, etc.
- Methods of evaluating effectiveness
- Methods of evaluating the budget monthly
- Procedures for completing the promotional plan

Be sure to select an integrated approach with several types of media to meet a variety of objectives. Schedule your advertising for a continuous message throughout the year. Be creative and practical at the same time.

Section 14—Managing Sales Efforts

1. Prepare a sales training program for your employees to include the following:
   - Importance of selling to the business
   - Tasks to be accomplished
   - Product knowledge
   - Services knowledge
   - Customer buying motives
   - Ways to handle special customers
   - Steps of a sale
     - Approach
     - Customer Needs
     - Demonstration
     - Objections
     - Close
   - Tie-in sales
   - Customer prospects
   - Reports and forms
   - Returns
   - Time management
2. Develop a two-year sales plan showing monthly plans and employee quotas.
3. Develop procedures and policies to deal with management of the sales staff.

Section 15—Keeping the Business Records

1. Set up samples of the format you plan to use for each of the business records you will use for your business.
2. Write procedures for keeping these records up to date.
3. Put a star beside those records that are absolutely essential.

Inventory and purchasing (These records provide facts to help you with buying and selling.)

- Inventory Control Record
- Item Perpetual Inventory Record
- Model Stock Plan
- Out-of-Stock Sheet
- Open-to-Buy Record
- Purchase Order File
- Open Purchase Order File
- Supplier File
- Returned Goods File
- Price Change Book
- Accounts Payable Ledger
- Purchase Journal

Sales Records (These records reveal facts to determine sales trends.)

- List of Potential Customers
- Record of Individual Sales Transactions
- Summary of Daily Sales
- Sales Plan
- Sales Promotion Plan
- Open Orders List
- Sales Analysis
- Sales Staff Records

Cash Records (These records show what is happening to cash.)

- Daily Cash Reconciliation
- Cash Receipts Journal
- Cash Disbursements Journal
- Bank Reconciliation
- Petty Cash Record

Credit (These records keep track of who owes you and whether they are paying on time.)

- Charge Account Application
- Accounts Receivable Ledger
- Accounts Receivable Aging List

Employees (These records maintain information legally required and are helpful in the efficient management of personnel.)

- Payroll Register
- Record of Employee Earnings and Amounts Withheld
- Employee's Withholding Exemption Certificate (W-4)
- Federal Tax Deposit Records
- Record of Hours Worked
- Record of Expense Allowances
- Employment Applications
- Record of Changes in Rate of Pay
- Record of Reasons for Termination of Employment
- Record of Employee Benefits
- Job Description
- Crucial Incidents Record

Fixtures and Property (These keep facts needed for taking depreciation allowances and for insurance coverage and claim.)

- Equipment Record
- Insurance Register

Bookkeeping (These records, in addition to some of the above, are needed if you use a double-entry bookkeeping system.)

- **General Journal**
- **General Ledger**

Warehouse and Shipping Control This activity requires the following:

- **Receiving reports**
- **Receiving, placing into stock, production reports by packages and individuals**
- **Picking, packing, and shipping production reports**
- **Bills of lading and signed shipping documents**
- **Customer return report**
- **Backorder control documents**

Cost Accounting Some of the significant information to gather is:

- **Labor, material, and overhead costs for each product or job-lot**
- **Gross profit by item (applicable to certain retail and wholesale industries)**

Finance and Credit Included in this type of information is:

- **Monthly trial balance**
- **Profit loss statement—monthly**
- **Balance sheets—monthly**
- **Cash position**
- **Aging of accounts receivable and accounts payable**
- **Credit limits for customers and collection system**

Section 16—Managing the Finances

This section helps you to prepare and analyze reports on your financial status. Be sure your procedure book addresses how and when you will do each of the following:

- Balance Sheet
  - Assets
  - Liabilities
  - Net worth
- Profit and Loss Statement
  - Gross sales
  - Cost of goods sold
  - Gross profit
  - Expenses
  - Net profit
- Financial Statement Ratios
  - Return on investment
  - Net profit to sales
  - Sales to equity
  - Average collection period
  - Inventory turn over
- Depreciation
- Cash forecast
- Cash flow
- Statement of change in owner's equity
- Operating expense ratios
- Inventory ratio
- Current ratio
- Acid-test ratio
- Break-even analysis

Section 17—Managing Customer Credit and Collections

Develop policies and procedures to cover an effective credit system for your business. Complete this activity even if your business does not currently offer credit. This will allow you to review it for potential importance.

- Why would you offer credit?
- What do your competitors offer?
- How do you analyze a customer's ability to buy on credit?
- What does your credit application include?
- What is your credit policy?
- Describe your cost/benefit analysis on your credit plan.
- How do you set credit limits?
- Describe the format and purpose of each of your credit records.
- Show your accounts receivable system.
- What is your accounts aging system?
- What is your policy on aging accounts?
- Describe your credit collection system.
- Describe your customer approach to collections.
- Identify your actual or potential credit problems.
- Design a credit ad that shows compliance with the following:
  - Truth-in-Lending Act
  - Open-end Credit
  - Closed-end Credit
- What are your policies in support of Regulation Z?
- What are your policies in support of Regulation B?
- What are your policies for telephone collections?
- Are your credit policies "easy-going" or "strict"? (Explain why)
- Describe your plans for credit promotion.

- Who is your target market for promotion and why?
- Where will you obtain credit information on your customers?
- Describe your system for planning, organizing, and controlling credit.

Section 18—Protecting Your Business

Describe your business protection plan including policies and procedures for preventing loss. Be sure to consider the following:

- Shoplifting
- Bad checks
- Cash exposure
- Robbery
- Bank deposits
- Lighting inside and out
- Outside visibility through windows
- Locks
- Alarms
- Employee theft
- Cash register operation controls
- Access to keys
- Checking merchandise in
- Injuries
- Liability insurance
- Casualty insurance
- Property and fire insurance
- Sales procedures
- Merchandise protection
- Price tags
- Special equipment
- Employee packages
- Trash handling

- Audit of books
- Late evening hours
- Guards
- Safes
- Bonding
- Accidents

TEACHING OUTLINES

Note to Instructor:

This section outlines the module content. It contains the module objectives, basic content detail, and teaching suggestions. Each outline can be used as a brief overview to introduce the individualized modules, or as a basis for further development of an entire lesson.

UNDERSTANDING THE NATURE OF SMALL BUSINESS

Objectives

What is this unit about?

1. ANALYZE THE PERSONAL ADVANTAGES OF OWNING YOUR OWN SMALL BUSINESS.

2. ANALYZE THE PERSONAL RISKS OF OWNING YOUR OWN SMALL BUSINESS.

   What basic ideas about entrepreneurship should you keep in mind?

   How can entrepreneurship be studied?

   What are the advantages and disadvantages of owning your own small business?

   What are the social advantages and disadvantages?

   What are the family advantages and disadvantages?

   What if this is your first job?

   How can you use time and your subconscious to help analyze the advantages and disadvantages of owning a small business?

3. ANALYZE HOW TO MAXIMIZE THE OPPORTUNITIES AND MINIMIZE THE RISKS OF OWNING YOUR OWN BUSINESS.

   How can you maximize opportunities and minimize the risks of owning your own business?

   What is the closed circular flow theory of economic activity?

Teaching Suggestions

Attempt to locate a business owner in your community who opened the business within the last three years. Ask this person to share personal experiences about the business with the group.

Objectives	Teaching Suggestions
What is this unit about?	
Does the circular flow of our economy produce real profit?	Invite a Small Business Administration representative to meet with your group regarding services available from the SBA.
Where do real profit and new wealth come from?	
What is small business' share of the GNP?	
What is the business and economic activity carried on in the specific segment of industry you've chosen?	
What is your position in the industry segment?	
What's the best way to determine the need for your product?	
How can you develop a good file on your competition?	
How can competitive information be helpful?	
How can you identify your product so the customer relates to it?	
What are the best sources of information for help in starting and running your own business?	
4. DETERMINE WHAT ENTREPRENEURIAL SKILLS YOU WOULD NEED TO START YOUR OWN BUSINESS.	Invite an entrepreneur to meet with the group to discuss some of the personal strengths needed to succeed in a small business.
What strengths and weaknesses will you bring to the business?	
How do you determine which entrepreneurial characteristics you have?	

DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR

Objectives	Teaching Suggestions
What is this unit about?	
1. CONSIDER THE PERSONAL QUALIFICATIONS AND ABILITIES NEEDED TO MANAGE YOUR OWN BUSINESS.	Considerable time should be spent discussing the implications of each of the areas: affective, cognitive, and manipulative. The student should be encouraged to discuss these ideas with other business people, with the class, and with anyone who might be in a position to evaluate his or her own personal abilities in the areas.
2. EVALUATE YOUR OWN POTENTIAL FOR DECISION MAKING, PROBLEM SOLVING, AND CREATIVITY.	
How can you evaluate your potential?	
What is creativity?	
What about your creativity?	There are some resources in this area to assist group facilitators in actually helping students overcome the traditional blocks to creativity. One such handbook is the *1981 Annual Handbook for Group Facilitators* by University Associates. John E. Jones and William Pfieffer, Editors. San Diego, California.
What's involved in cognitive ability?	
Should you start a business?	Ask students to tell about the very last decision they made. For some it might have been to come to school, for others it might have been to buy some clothes, etc. Actually, each one who responds to the question has to decide how to answer the question in class. They will have gone through all of the steps in the decision-making process, but probably most of it subconsciously.
What are the decision-making steps?	

Objectives	Teaching Suggestions
What is this unit about?	
3. DETERMINE YOUR POTENTIAL FOR MANAGEMENT, PLANNING, OPERATIONS, PERSONNEL, AND PUBLIC RELATIONS.	
What does it take to run a successful business?	
What are some of the pitfalls?	
Why is cash flow so important?	
How can planning help?	**The intent is to give the student guidelines for making evaluations and assessments and for taking the necessary steps to gain the knowledge, skills, and techniques for running a business. The information should be presented as aids in how-to do it, not just theory. Great flexibility should be used in handling the various ways in which individuals respond to the information, questions, and exercises. The students who are really serious about considering a career in entrepreneurship should interact as much as possible with businesses, entrepreneurs and other sources of information, including the Small Business Administration.**
How does delegating responsibility help the entrepreneur?	
What will a successful marketing strategy include?	
Are entrepreneurs well-educated people?	

DEVELOPING THE BUSINESS PLAN

Objectives	Teaching Suggestions
What is this unit about?	
1. IDENTIFY HOW THE BUSINESS PLAN HELPS THE ENTREPRENEUR.	
How does the Business Plan help you?	Help students review or learn the three major ways the Business Plan helps them as future entrepreneurs: • a means for obtaining financing • a guide for opening the business • a management guide
2. RECOGNIZE HOW A BUSINESS PLAN SHOULD BE ORGANIZED.	Use the Business Plan Outline in the student module to guide students' comprehension of the organization. Help them to see the purpose and contents of each of the major parts and the contributions made by the supplementary sections (Statement of Purpose, Summary, Financial Data).
How is the Plan organized?	
3. IDENTIFY AND USE THE MECHANICS FOR DEVELOPING A BUSINESS PLAN.	
What are the mechanics for developing a Plan?	Students will need your help and support in writing their Business Plans. It is important that they understand the mechanics before beginning to develop their Plans. Secure copies of Business Plans from businesses or agencies in the community. (Delete the names and other identification.) Have students read the sample plans and evaluate them in terms of organization and mechanics. Discuss the MARINER'S SEAFOOD CATCH Business Plan as a good example to follow as they develop their own Plans. Review the drafts of their Plans and evaluate them in terms of organization and mechanics. Allow students to revise as many times as necessary.

OBTAINING TECHNICAL ASSISTANCE

Objectives	Teaching Suggestions
What is this unit about?	
1. PREPARE FOR USING TECHNICAL ASSISTANCE.	
How do you prepare for securing technical assistance?	Compare the preparation for securing technical assistance to the decision-making process for any other management task.
How is the problem defined?	You might wish to use the case study about Linda Walton and "Walton's Wayside Motel" to illustrate how Linda prepared for securing technical assistance.
What are the expected benefits?	
How much will technical assistance cost?	
What are your personal constraints?	
What options are available?	
2. SELECT PROFESSIONAL CONSULTANTS.	
What are the limitations of using community advisers?	Help students recognize that there are business and government agency people anxious to provide assistance to entrepreneurs, but unable to devote extended periods of time to helping one business.
How can you secure long-term help?	
What assistance can attorneys provide?	Help entrepreneurs accept the fact that small businesses must spend some money to get the expert help they need. A recent survey by *INC.* magazine showed that the average annual attorney fee for business with sales below $1 million was $4,280.
What assistance can accountants provide?	Among a cross section of *all* small businesses, the average annual expenditure was $8,400 (*INC.* June 1982). These figures should help entrepreneurs see that the fees for consultant services are a legitimate company expense.

Objectives	Teaching Suggestions
What is this unit about?	
	Use the case study in this unit to illustrate how accountants were used by "Walton's Wayside Motel."
What assistance can general management consultants provide?	Help students realize that a good accountant and a good lawyer can provide much of the help that a small entrepreneur needs. Students should also recognize that help is also available to solve specialized problems that arise.
How should professional consultants be selected?	If you can help your class members to use the recommended procedure to select technical assistance, you will be performing a lasting favor. This businesslike approach will help them get their "consultant money's worth."
What criteria should you use to select consultants?	Ask a consultant or a panel of consultants to discuss selection criteria. Ask them to relate their experiences to show the various types of problems that they can help solve. Ask them to explain the variations in fees and what reasonable annual expenditures might be for different size businesses.
3. WORK EFFECTIVELY WITH CONSULTANTS.	
How can you work effectively with consultants?	Secure some sample copies of agreements between companies and consultants. Delete the identifying names and use them to illustrate the five agreements that should be reached.
Individual Activity No. 1	Provide students with copies of Handout No. 1, "Technical Assistance Needs Assessment" so they can summarize the results of this activity.
Individual Activity No. 2	Distribute copies of Handout No. 2, "Monthly Calendar for Technical Assistance Interviews" for students to use in scheduling appointments with technical assistance agencies or individuals.
	Do a spot check of each student's file cards, to see if she/he has actually developed the file.
Group Activity	The purpose of the sharing activity is to provide the opportunity for students to compare their findings with others, and to reinforce the importance of technical experience to every small business.

CHOOSING THE TYPE OF OWNERSHIP

Objectives	Teaching Suggestions
What is this unit about?	
1. ANALYZE THE APPROPRIATE CHOICE OF OWNERSHIP FOR YOUR BUSINESS.	
What is the appropriate choice of ownership for your business?	
What is a sole proprietorship?	
What rewards does a sole proprietorship provide?	Invite a corporation lawyer to speak to the class.
What does being a sole proprietor mean legally?	
What about the sole proprietor and taxes?	
2. FOLLOW THE STEPS NECESSARY TO FILE OWNERSHIP FOR YOUR BUSINESS.	
3. DEFINE POLICIES AND PROCEDURES FOR SUCCESSFUL MULTIPLE-OWNER OPERATION.	
What does partnership mean legally?	
What items should be in the Articles of Copartnership?	
What about the partnership and taxes?	Invite an accountant to discuss taxes as they affect the various types of businesses.
What does being a corporation mean legally?	
What about the corporation and taxes?	
What is a certificate of incorporation?	

Objectives

Teaching Suggestions

What is this unit about?

What does being a franchise mean legally?

What should the franchise agreement include?

What's involved in a cooperative?

What are the membership responsibilities in a cooperative?

PLANNING THE MARKETING STRATEGY

Objectives	Teaching Suggestions
What is this unit about?	
1. USE GOODS CLASSIFICATIONS AND LIFE CYCLE ANALYSES AS PLANNING TOOLS FOR MARKETING.	
What major planning mistake can be made?	Examples of prior small business failures in your community can illustrate this point effectively.
How can potential market values be determined?	Have students gather appropriate data to project market value for a type of business or product.
2. DEVELOP AND MODIFY MARKETING MIXES FOR A BUSINESS.	
What planning tools help determine market mixes?	
What is the goods classification system?	List examples of products that typically fall into each of the categories. Then show how, for some people, the product can move into other categories.
What is life cycle analysis?	Plot a life cycle graph on the chalkboard. Then have students plot current products on the graph and explain why they are in the specific spot identified.
How can life cycle analysis be used in marketing planning?	Select one product and illustrate the marketing changes that will be necessary as it moves through all life cycle stages.
3. USE DECISION-MAKING TOOLS THAT AID IN EVALUATING MARKET ACTIVITIES.	
4. EVALUATE OPERATIONS TO IMPROVE DECISION MAKING ABOUT MARKETING.	
How can marketing strategies be evaluated?	Identify a business. Then have students suggest effectiveness and efficiency measures for the business to evaluate marketing effectiveness.

LOCATING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. ANALYZE CUSTOMER TRANSPORTATION, ACCESS, PARKING, AND SO FORTH, RELATIVE TO ALTERNATIVE SITE LOCATIONS.	Have the students conduct a traffic study at various sites throughout the area. A report presenting the major findings should be prepared for class presentation.
How important is the right business location?	
What general factors should be considered when evaluating a business location?	
What specific factors should be considered when evaluating a business site?	The class should select three possible sites for a business location. Using a rating sheet developed by the class, students should evaluate each site.
What types of business locations are there?	
2. COMPLETE A LOCATION FEASIBILITY STUDY FOR YOUR BUSINESS.	Through library research, locate a number of agencies that can provide assistance in site evaluation. Invite a few persons from these agencies to perform in a panel discussion on the conduct of a feasibility study.
How should a feasibility study be conducted?	
What help is available for evaluating a business location?	
3. DETERMINE THE COSTS OF RENOVATING OR IMPROVING A SITE FOR YOUR BUSINESS.	
4. PREPARE AN OCCUPANCY CONTRACT FOR YOUR BUSINESS.	

FINANCING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. DESCRIBE THE SOURCES OF INFORMATION AVAILABLE TO HELP IN ESTIMATING THE FINANCING NECESSARY TO START YOUR NEW BUSINESS.	
What are some sources of information to help determine financing needs?	Have students generate a list of questions that could be asked in order to determine financing needs.
2. DETERMINE THE FINANCING NECESSARY TO START YOUR NEW BUSINESS.	
What are operating expenses?	
How are operating ratios used?	
What is special about financing a manufacturing business?	
What is special about financing a service business?	
What is special about financing a franchised business?	
How do you determine the financing needed to start your business?	Have students interview a banker, supplier, and competitor to discuss a potential business endeavor. Summarize overall comments from interviews.
What is involved in estimating annual sales volume?	
How do you estimate start-up costs and monthly operating expenses?	
How do you determine the total cash needed to start the business?	
How do you prepare to arrange the financing?	

Objectives	Teaching Suggestions
What is this unit about?	
3. PREPARE A PROJECTED PROFIT AND LOSS STATEMENT AND A PROJECTED CASH FLOW STATEMENT FOR YOUR NEW BUSINESS.	
How do you prepare the profit-and-loss statement?	
How do you prepare a projected cash flow statement?	Have students develop a sample cash flow statement back on a potential business.
How do you prepare your personal balance sheet package?	
4. PREPARE A LOAN APPLICATION PACKAGE.	
How do you determine which financing sources to use?	
How do you construct a plan of action to satisfy your financing needs?	Brainstorm with students on all of the various sources for financing the business.
Individual Activity	Provide students with worksheets 1-3 to assist them in completing the suggested activity.

DEALING WITH LEGAL ISSUES

Objectives	Teaching Suggestions
What is this unit about?	
1. DETERMINE YOUR NEED FOR LEGAL ASSISTANCE.	
How can the small business owner recognize potential sources of legal problems?	
How can the small business owner reduce legal problems?	Arrange to have a small business owner talk to the group about legal issues faced in the business.
What are some legal issues that entrepreneurs face?	
Who can assist the small business owner with legal problems?	
Does the small business owner need an attorney?	
How do you select an attorney?	Arrange to have a local judge talk to the group regarding the selection of a lawyer.
What is a contract?	Invite a local attorney who specializes in business law to speak to the class?
What are the major elements of a contract?	
What are the most common types of contracts?	
2. SELECT THE PROVISIONS THAT YOU DESIRE IN A LEASE.	
What is a lease?	
What types of leases are available?	
What should a lease include?	
Why lease equipment?	

Objectives	Teaching Suggestions
What is this unit about?	
3. PREPARE SALES CONTRACTS (SUCH AS CREDIT SALES OR LONG-TERM SALES) THAT MAY BE UTILIZED IN YOUR BUSINESS.	
What are sales contracts?	
What laws will affect you?	
4. EVALUATE CONTRACTS.	
5. DETERMINE YOUR NEEDS FOR PROTECTION OF IDEAS AND INVENTIONS.	
How do you protect your ideas?	**Try to find a local attorney who specializes in patent law. Ask this person to discuss a small business's needs for protection materials such as patents, copyrights, and trademarks.**

COMPLYING WITH GOVERNMENT REGULATIONS

Objectives	Teaching Suggestions
What is this unit about?	
1. APPRAISE THE EFFECTS OF VARIOUS REGULATIONS ON YOUR BUSINESS OPERATIONS.	
Why are government rules and regulations important?	Have the students prepare a detailed outline of a management audit for one of the four areas of government regulations.
How can federal regulations be classified?	Have a personnel officer discuss compliance programs for fair employment practices.
2. ACQUIRE THE INFORMATION NECESSARY TO COMPLY WITH THE VARIOUS RULES AND REGULATIONS AFFECTING YOUR BUSINESS.	
What steps can be taken to comply with laws protecting competition?	Enlist the cooperation of SBA-sponsored groups such as SCORE/ACE or SBI who provide consultants to businesses for the purpose of developing policies in each of the four areas of regulations.
What steps can be taken to comply with laws protecting employees?	
What steps can be taken to comply with laws protecting consumers?	
What steps can be taken to comply with laws protecting the environment?	
What licenses and permits are needed?	
What types of business taxes are there?	Visit an IRS office to obtain information on tax obligations of small businesses.

Objectives	Teaching Suggestions
What is this unit about?	
3. DEVELOP POLICIES FOR YOUR BUSINESS TO COMPLY WITH GOVERNMENT RULES AND REGULATIONS.	
What help can be found in complying with government regulations?	**Contact the regional Small Business Administration management assistance offices. Have the officer help develop a seminar for your area concerning compliance with government regulations.**

MANAGING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. PLAN GOALS AND OBJECTIVES FOR A BUSINESS.	Collect articles dealing with small businesses from your local newspaper for one week. In what direction do the businesses seem to be going?
What kind of work does a manager do?	
What's involved in the planning function?	
What is the master plan?	
What are short-term plans?	
What are other types of planning?	
How important is it to gather information for planning?	
2. DIAGRAM THE ORGANIZATIONAL STRUCTURE FOR A BUSINESS.	Set up a panel of local business persons and have them describe their management system.
What is involved in organizing?	
How many forms can an organization take?	
How can the business be organized effectively?	
Are there steps to follow in organizing?	
How can you organize your business?	
How does directing fit in?	
3. ESTABLISH CONTROL PRACTICES AND PROCEDURES FOR A BUSINESS.	
What is involved in controlling?	
What control devices are available?	

MANAGING HUMAN RESOURCES

Objectives	Teaching Suggestions
What is this unit about?	
1. WRITE A JOB DESCRIPTION FOR A POSITION IN YOUR BUSINESS.	
What is a job analysis?	
How do you write a job description?	
2. DEVELOP A TRAINING PROGRAM OUTLINE FOR EMPLOYEES.	
What is a training program?	Interview local entrepreneurs regarding their personnel programs.
What is needs assessment?	
How should the training program be outlined?	
3. DEVELOP A LIST OF PERSONNEL POLICIES FOR EMPLOYEES IN YOUR BUSINESS.	
What about personnel policies?	
What about union activity?	
What is an employment agreement?	
4. DEVELOP AN OUTLINE FOR AN EMPLOYEE EVALUATION SYSTEM.	These topics lend themselves very well to role playing. The case study presented can be done as a role play, showing the correct way to do an evaluation.
How do I evaluate an employee's performance?	
What are the steps of a development evaluation?	
What are the steps of a compensation evaluation?	

Objectives	Teaching Suggestions
What is this unit about?	
5. PLAN A CORRECTIVE INTERVIEW WITH AN EMPLOYEE CONCERNING A SELECTED PROBLEM.	
How do you conduct a corrective interview?	The corrective interview for the employee who has been late is an excellent role play. You can, and should, substitute any problem behavior to which the group can relate.

PROMOTING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. CREATE A LONG-TERM PROMOTIONAL PLAN.	Show students several different types of promotions and ask them to suggest ways that each promotion could be evaluated. Encourage them to consider several ways to evaluate. Then discuss the advantages and disadvantages of each method. Introduce with Transparency No. 1.
Why is a long-term promotional plan important?	After reviewing the restaurant case problem, discuss other short-term changes the business could have made to respond to the new competition. Evaluate the possible effect of each change. Discuss how the business might respond differently if it had a long-term plan.
How are promotional budgets developed?	
Why should you plan a promotional program?	Discuss the questions a small business owner must answer in order to increase awareness of the importance of advertising and promotion. Use Handout No. 1.
What are the steps in developing a long-term promotional plan?	Relate the promotional plan to the marketing plan and business plan. Be sure students see the close relationship among all of the plans and the sequence of development.
How do you develop a market profile?	Ask students to answer the questions necessary to develop their own market profile.
How is a promotional plan developed?	Work through a sample promotional advertising plan with the group. Discuss the necessary steps and decisions that must be made.
How much will you spend on promotional activities?	
When should you use promotions?	Use Transparency No. 2 to enter anticipated sales and then plan monthly promotions to coincide. Remember that additional promotion dollars spent at a normally heavy sales period are cost-efficient.

Objectives	Teaching Suggestions
What is this unit about?	
How do you decide what to promote?	Use Transparency No. 3 to lay out your specific monthly plan.
2. DESCRIBE THE TECHNIQUES USED TO PREPARE ADVERTISING AND PROMOTION.	
What techniques should be used to prepare advertising?	
What are some general guidelines for preparing advertising copy?	Discuss the suggestions for improving advertising.
How are advertisements prepared for print media?	Have students try a print ad for a local newspaper. Then review the points made in this section to improve their ads.
How are advertisements prepared for radio?	Try writing copy for a radio commercial and then record it on a tape recorder. Students can give each other feedback.
How are outdoor advertisements developed?	Be sure students prepare copy for this type of ad that is *very* simple and easy to read from a distance. Illustrations help a lot.
How are direct mail ads prepared?	Have students identify a target mailing for this sample activity. Then develop the materials that would be appropriate for the objectives.
3. ANALYZE COMPETITIVE PROMOTIONAL ACTIVITIES.	
How does competition affect the promotional plan?	Have students bring in samples of advertising that would be competitive to theirs. Discuss the strong and weak points of each item.
4. EVALUATE PROMOTIONAL EFFECTIVENESS.	
How effective is the promotion?	Use the graph for the Fortune Corp. as an example of the movement of sales dollars and advertising expenditures. Now plot the plan the students have been working with on the similar Transparency No. 4 to see if their advertising and sales move together. Discuss what they would do if actual sales did not keep up with

Objectives	Teaching Suggestions
What is this unit about?	
	anticipated sales. Change the dollars for advertising or sales on the sides of the graph as appropriate for the example they are using.
How can advertising be evaluated?	Check your sample ads against these ideas.
How should promotional budgets be evaluated?	Show Transparency No. 5.
5. USE PROMOTION TO RESPOND TO SHORT-TERM PROBLEMS.	
Can short-term problems be solved by promotion?	Discuss the reasons for a real plan.
6. PLAN A COMMUNITY RELATIONS PROGRAM.	
What is public relations?	Show Transparency No. 6.
What kinds of information should the community be given about the firm?	Discuss all the possible items of interest that the community would find interesting or useful about a company. Why does this kind of PR help a company?
What are the steps in planning a public relations program?	Develop a plan to complete these steps with the students for a real or fictitious business in your community. Include— • study the community • study your policies • determine objectives • gain staff commitment • evaluate effectiveness
How are public relations programs communicated to the public?	Have the class select appropriate media for their plan. Have members prepare samples that could be used in this PR program. As a group, evaluate their potential effectiveness.
How can promotion support other marketing activities?	

MANAGING SALES EFFORTS

Objectives	Teaching Suggestions
What is this unit about?	
1. DEVELOP A SALES PLAN FOR YOUR BUSINESS.	
Should you have a sales plan for your business?	
How does an entrepreneur develop sales forecasts?	Develop a sales forecast using Transparencies 2 and 3. Show the overall monthly sales projected for a given business with an annual sales objective of $200,000 and explain the difference in monthly sales. Then develop a weekly sales plan for three salespeople and show their actual sales. Discuss the importance of each person's quota in the business operation. Have students complete the sales plan for the year using Handout 1.
Can charting be helpful?	
Who performs planning activities?	
What is market planning?	
What is the planning process?	
2. DEVELOP POLICIES AND PROCEDURES FOR SERVING YOUR CUSTOMERS.	
What types of services will you offer your customers?	Discuss shopping services, conveniences, services you sell, and community services.
Will you offer personal selling or self-service?	
3. DEVELOP A PLAN FOR TRAINING AND MOTIVATING SALESPEOPLE.	
Should salespeople receive training?	
What are the forms of training?	Have the group develop a sales training program for a business of their choice. Use Handouts 2 and 3 to aid in the development of this training program.
Who should be trained?	
What training should new employees receive?	
When should experienced salespeople receive training?	

Objectives	Teaching Suggestions
What is this unit about?	
What methods may be used in training?	
Is it important to motivate salespeople?	
What are included in nonfinancial incentives?	
What are included in financial incentives?	
What factors determine which plan to use?	

KEEPING THE BUSINESS RECORDS

Objectives	Teaching Suggestions
What is this unit about?	
1. DETERMINE WHO WILL KEEP THE BOOKS FOR YOUR BUSINESS AND HOW THEY WILL BE MAINTAINED.	
Why should a new business owner/ manager keep records?	Discuss with students why their bookkeeping needs will change as their businesses grow. Poll the class to see how many students have any knowledge of bookkeeping practices and procedures. How many of them would feel confident about keeping the books for a year? For two years? For three years?
Who should maintain the business records?	
2. DESCRIBE DOUBLE-ENTRY BOOKKEEPING.	
What is double-entry bookkeeping?	From the information contained in this unit, have the students design a double-entry bookkeeping system for a small clothing store. Invite an accountant or an instructor from a local business college to speak to the students. Have the person evaluate the students' bookkeeping system.
3. SELECT THE TYPES OF JOURNALS AND LEDGERS THAT YOU WILL USE IN YOUR BUSINESS.	
What journals are most commonly used by small businesses?	
What are the types of sales journals?	
4. IDENTIFY THE TYPES OF RECORDS THAT YOU WILL USE IN YOUR BUSINESS TO RECORD SALES, CASH RECEIPTS, CASH DISBURSEMENTS, ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, PAYROLL, PETTY CASH, INVENTORY, BUDGETS, AND OTHER ITEMS.	
What are accounts payable and receivable systems?	

Objectives	Teaching Suggestions
What is this unit about?	
What is needed for payroll records?	
How do you control cash flow?	
How important is the daily sales and cash summary?	
What is a journal of sales and receipts?	
What is a cash disbursement journal?	
What is the petty cash fund?	
How is the bank reconciliation statement used?	
What is the general ledger?	
What about assets and the ledger?	
What about liabilities and the ledger?	
What about net worth?	
What about income and the ledger?	
What about expenses and the ledger?	
What is inventory?	
How much inventory do you need?	
Are there different inventory control systems?	
What is a perpetual inventory?	
What is a physical inventory?	
What is an electronic inventory system?	
5. EVALUATE YOUR BUSINESS RECORDS.	
What are budget systems?	

Objectives	Teaching Suggestions
What is this unit about?	
What is a sales budget?	
What are merchandising and purchasing budgets?	
What is the advertising budget?	
Are there other recordkeeping needs?	
6. IDENTIFY HOW A MICRO-COMPUTER MAY BE USED TO KEEP THE BUSINESS RECORDS.	
How are microcomputers used in small businesses?	Invite a sales representative from a local "computer store" to talk to the class. Ask the representative to demonstrate some of the new "software" program packages designed especially for business record-keeping systems.

MANAGING THE FINANCES

Objectives	Teaching Suggestions
What is this unit about?	
1. EXPLAIN THE IMPORTANCE OF CASH FLOW MANAGEMENT.	
Why is cash flow management important?	Have a business manager discuss cash flow importance and how it is computed.
2. IDENTIFY FINANCIAL CONTROL PROCEDURES.	
What are some financial control procedures?	Have students develop a list of financial control procedures for their business. List on chalkboard or overhead projector.
3. DESCRIBE HOW TO FIND CASH FLOW PATTERNS.	
How can a cash flow pattern be determined?	Create and show a transparency illustrating a cash flow pattern for a business.
4. ANALYZE TROUBLE SPOTS IN FINANCIAL MANAGEMENT.	
What are signs of trouble in financial management?	Identify in small groups many types of financial management problems. List on chalkboard.
How can long-term financial needs be managed?	
5. DESCRIBE HOW TO PREPARE AN OWNER'S EQUITY FINANCIAL STATEMENT.	
What is an owner's financial statement?	
How are financial statements analyzed?	Have students list a 1-2-3 year long-range list of equipment, modernization, and improvement needs for a business.
	Show an example of an owner's financial statement (create a transparency).

Objectives	Teaching Suggestions
What is this unit about?	
6. DESCRIBE HOW TO COMPUTE VARIOUS FINANCIAL RATIOS.	
What are operating expense ratios?	
What is an inventory ratio?	
Why are financial ratios useful?	
7. ANALYZE FINANCIAL MANAGEMENT RATIOS APPLICABLE TO A SMALL BUSINESS.	
What are the key business ratios?	Create and show transparencies of how to compute various financial ratios.
What is the current ratio?	Show examples of financial ratios. Have students work out ratio problems based upon the module case problem.
What is an acid-test ratio?	Show examples of visualization of financial statements from small business and corporate reports. (Create and show transparencies.) Have students prepare charts for the module case problem.
What is a debt-to-tangible-net-worth ratio?	
What is a net-sales-to-working-capital ratio?	
What is a net-income-to-net-sales ratio?	
8. IDENTIFY THE COMPONENTS OF BREAK-EVEN ANALYSIS.	
What are break-even analysis components?	Create and show a transparency to illustrate break-even point components.
How is a break-even point computed?	Use several overlays to illustrate the relationships of each component.
9. COMPUTE AND ANALYZE BREAK-EVEN POINT PROBLEMS.	
What information is obtained from break-even analysis?	Have students solve a variety of pricing, unit sales, production, expense, and profit problems using break-even problems and charts.

Objectives	Teaching Suggestions
What is this unit about?	
10. REVIEW MICROCOMPUTER APPLICATIONS FOR FINANCIAL MANAGEMENT. How can microcomputer applications assist in financial analysis and management?	

MANAGING CUSTOMER CREDIT AND COLLECTIONS

Objectives	Teaching Suggestions
What is this unit about?	
1. ANALYZE THE LEGAL RIGHTS AND RECOURSE OF CREDIT GRANTORS.	
What are the legal requirements for open-end and closed-end credit?	Show students examples of open- and closed-end credit advertisements. Have students identify elements of ads that satisfy various legal requirements.
What must open-end credit advertising disclose?	
What must closed-end credit advertising disclose?	
What are provisions of the Truth-in-Lending Act?	Assign students field interviews with local credit managers to discuss requirements and implications of the Truth-in-Lending Act.
What are provisions of the Equal Credit Opportunity Act?	Provide copies of legal provisions of the Equal Credit Opportunity Act. Have students identify provisions applicable to their business or business of their choice.
What are provisions of the Fair Credit Reporting Act?	Obtain credit report forms from the local credit bureau. Review with students.
What are some of the secured versus unsecured credit devices?	Show examples of conditional sales agreements, chattel mortgages, and bailment leases. Explain requirements and uses of each.
What are the rights of the secured party?	
What are some illegal collection practices?	Role play types of legal and illegal collection practices. Have students critique.
2. DEVELOP A SERIES OF CREDIT COLLECTION REMINDER LETTERS AND FOLLOW-UP ACTIVITIES.	
What various collection procedures are used?	Show examples of credit memos, letters, etc. Have students develop a credit collection series of procedures for their own business.

Objectives	Teaching Suggestions
What is this unit about?	
What are some examples of a collection letter series?	Show examples. Have students write a series of three progressively firmer collection letters. Analyze each other's letters in small groups.
3. DEVELOP VARIOUS CREDIT AND COLLECTION POLICIES.	
What considerations should be included in credit and collection policies?	Review policies of several firms. Have students write policies for their own business. Hand out copies of credit and collection policies checklists.
What are some examples of easy-going and strict collection policies?	Analyze case problems illustrating easy-going and strict collection policies.
4. PREPARE A CREDIT PROMOTION PLAN.	
How can credit promotions be planned and implemented?	Review samples of credit promotion ads and displays. Have the credit manager of a local business discuss credit promotions.
What are some sources of new credit accounts?	
How can new accounts be obtained?	
How should a credit promotion letter be written?	Review the themes and wording of sample credit promotion letters. Have students write a credit promotion letter for their business.
What are some reasons for contacting inactive and active accounts?	Have students use the yellow pages of the telephone book to develop a list of possible credit accounts to contact for a credit promotion.
Why should credit be continually promoted?	
5. DISCUSS INFORMATIONAL RESOURCES AND SYSTEMS THAT APPLY TO CREDIT AND COLLECTION PROCEDURES.	
What credit information management resources and systems are available?	Have students develop a list of all sources of credit information available for their own businesses.

PROTECTING THE BUSINESS

Objectives	Teaching Suggestions
What is this unit about?	
1. PREPARE POLICIES FOR YOUR FIRM THAT WILL HELP MINIMIZE LOSSES DUE TO: EMPLOYEE THEFT, VENDOR THEFT, BAD CHECKS, SHOPLIFTING, ROBBERY, INJURY AND PRODUCT LIABILITY.	
Why is a protection plan needed?	Invite local business owners to share their business protection approaches.
What are the main parts of a protection plan?	
What guidelines can be used to reduce shoplifting losses?	
What guidelines can be used to reduce bad check losses?	
What guidelines can be used to reduce robbery and burglary losses?	
What guidelines can be followed to reduce vendor and employee theft?	
How can injuries and product liability be reduced?	
2. DETERMINE KINDS, AMOUNT, AND COST OF INSURANCE NEEDED BY YOUR FIRM.	Have an insurance agent discuss insurance coverage protection for small businesses.
How can insurance protect a business?	
How much does insurance cost?	
Do you have adequate insurance protection?	

Objectives	Teaching Suggestions
What is this unit about?	
How can you determine adequate coverage?	
What are the elements of an adequate insurance protection plan?	

TRANSPARENCY MASTERS

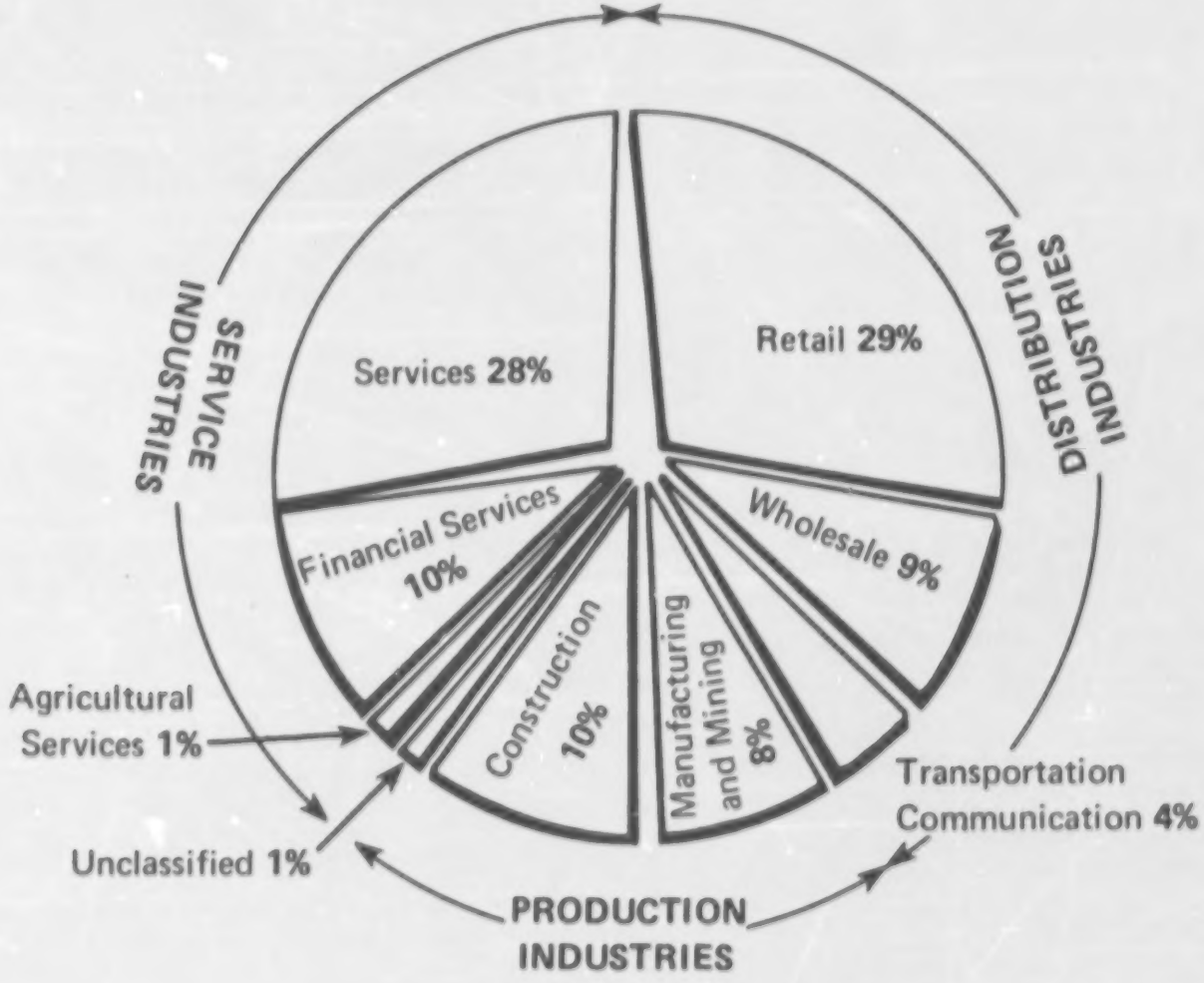
Note to Instructor:

This section contains suggested transparencies designed to enhance lectures and discussions. In most cases they have not been referenced in the teaching outline, but have been designed to be used with it.

85

TYPES OF SKILLS NEEDED TO SUCCESSFULLY MANAGE AN ENTREPRENEURIAL ACTIVITY

AFFECTIVE	COGNITIVE	MANIPULATIVE
Human relations ability	Organizing ability	Physical skill ability
Communications ability	Problem-solving ability	(can be hired)
Creative ability	Decision-making ability	
	Technical know-ledge	

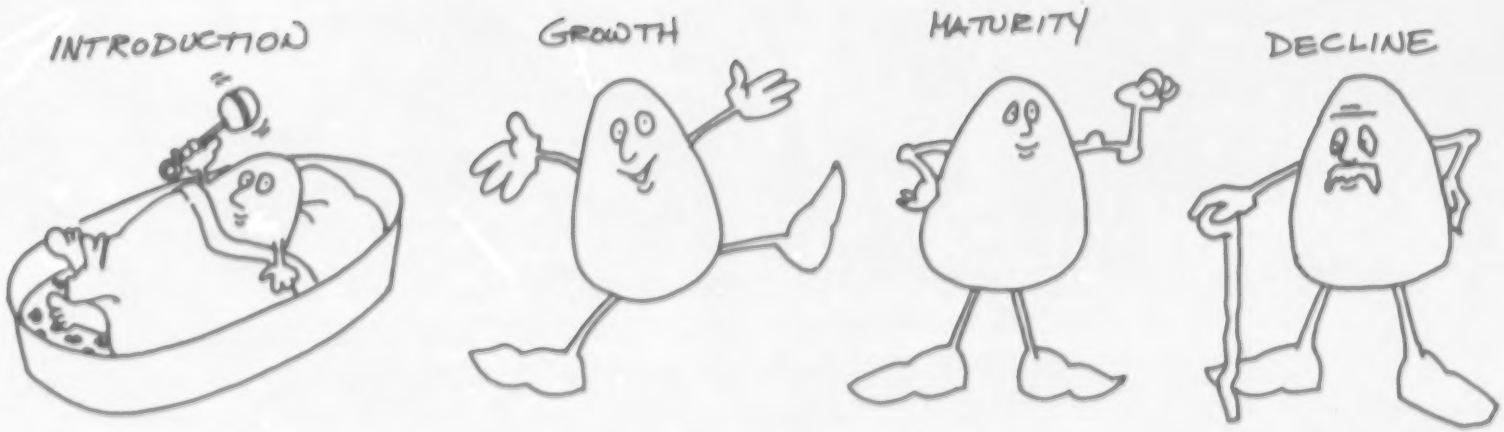


SMALL BUSINESS BY INDUSTRY [2]

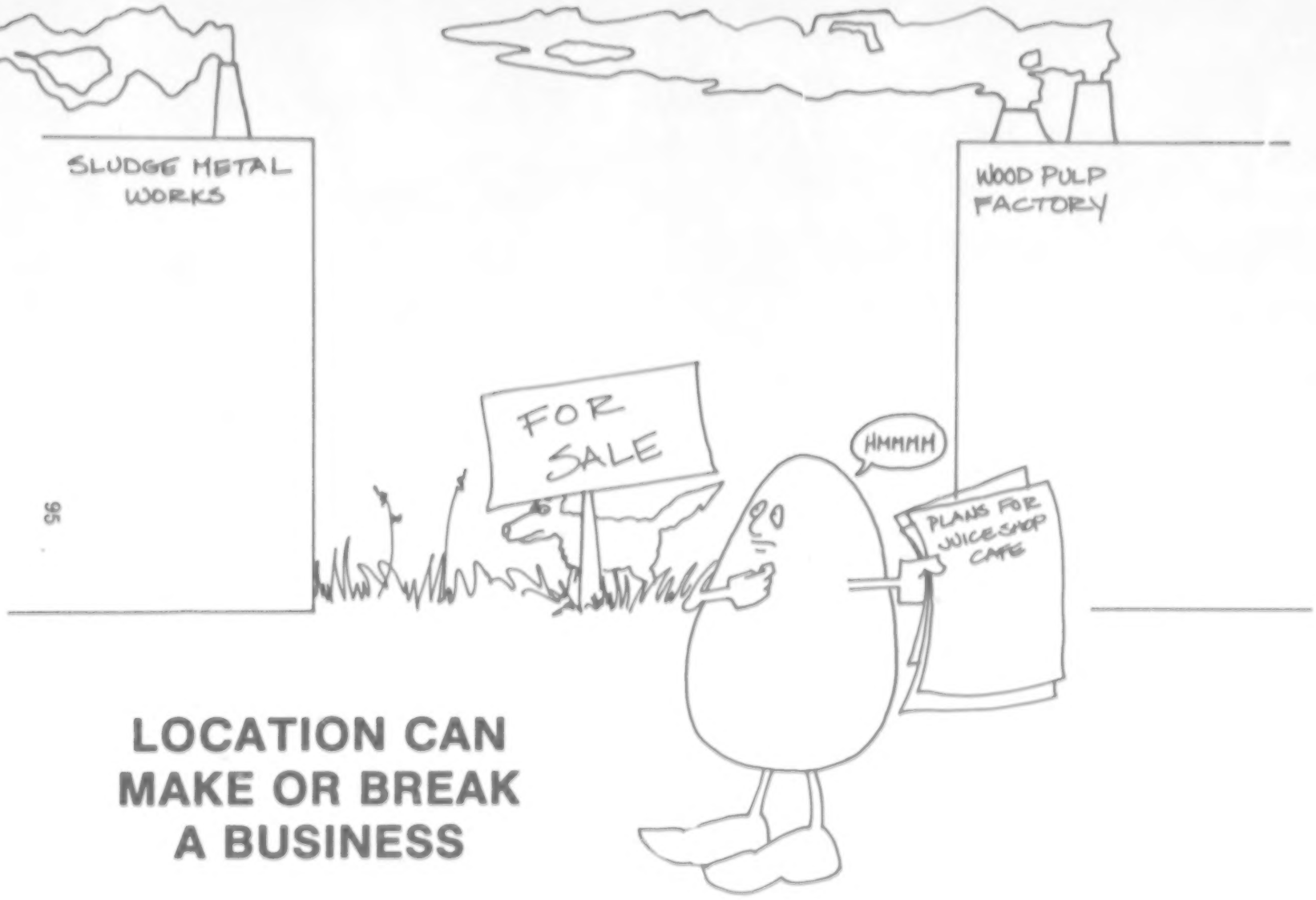
Most small businesses are in the retail and service sectors.

IDENTIFY YOUR TARGET MARKET

CONSIDER YOUR COMPETITORS; WHAT LIFE CYCLE PERIOD ARE THEY IN?



93



LOCATION CAN MAKE OR BREAK A BUSINESS

BE AWARE OF COMPETITORS WHEN LOCATING YOUR BUSINESS

STEPS IN DETERMINING A BUSINESS LOCATION

Select a general area

Survey several locations within the general area

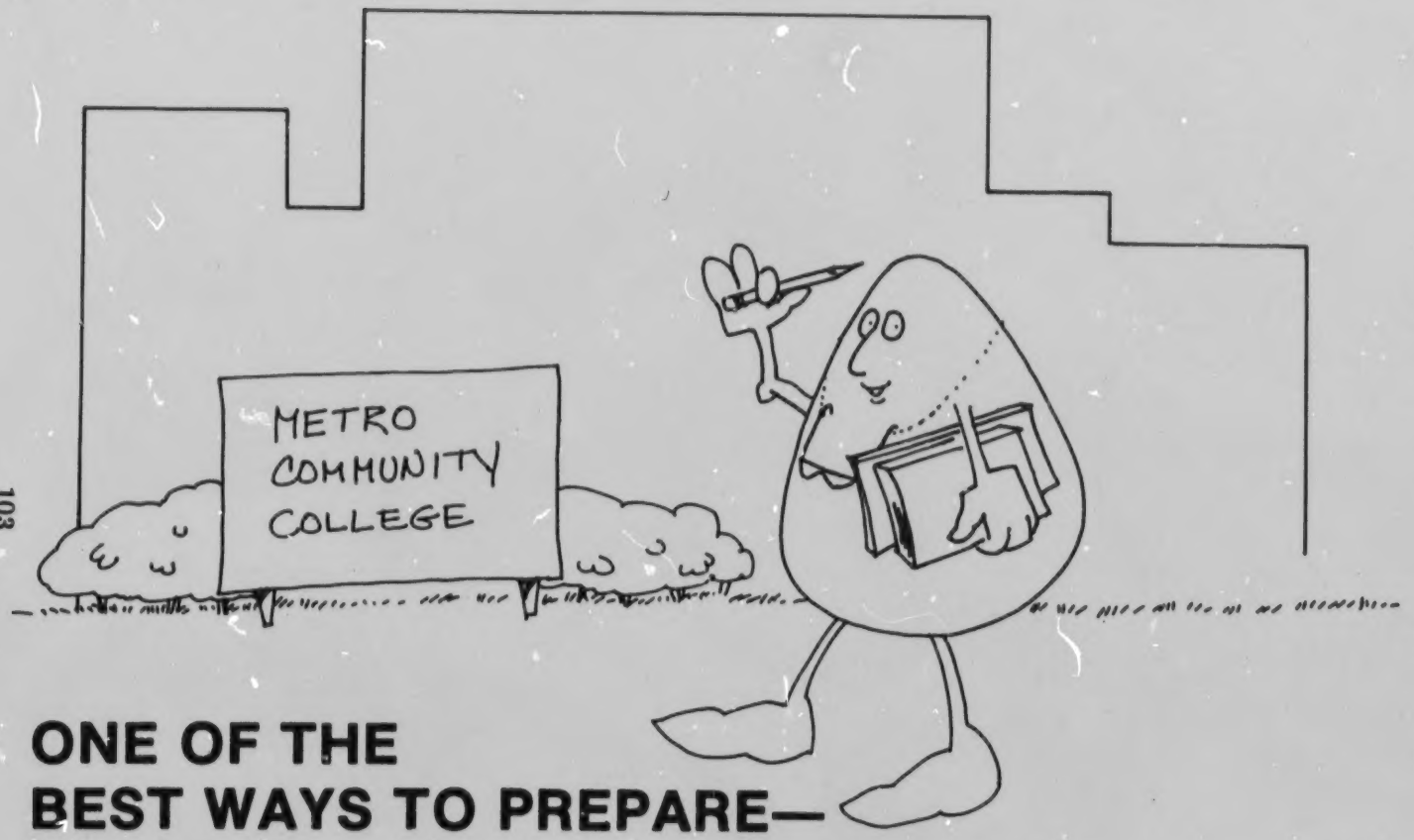
Establish site selection criteria

Analyze the need to build or renovate

Analyze the need to lease

Review findings and decide

ESTIMATE PERSONAL EXPENSES



ONE OF THE BEST WAYS TO PREPARE— TAKE A COURSE IN BUSINESS LAW

Transparency No. 1

Complying with Government Regulations
Unit 10
Level 3

ANTI-TRUST COMPLIANCE PROGRAM

Develop Company Policy

Establish Training Program

Implement Procedures

Preserve Documentation

Perform Audits

Transparency No. 2

Complying with Government Regulations
Unit 10
Level 3

AFFIRMATIVE ACTION PROGRAM

Develop Company Policy

Designate Responsible Individual

Publish and Distribute Policy

Review Employment Practices

Transparency No. 3

Complying with Government Regulations
Unit 10
Level 3

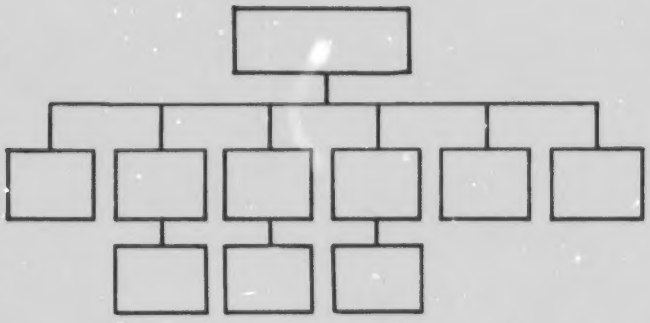
CREDIT LAW COMPLIANCE

Prohibit Discrimination

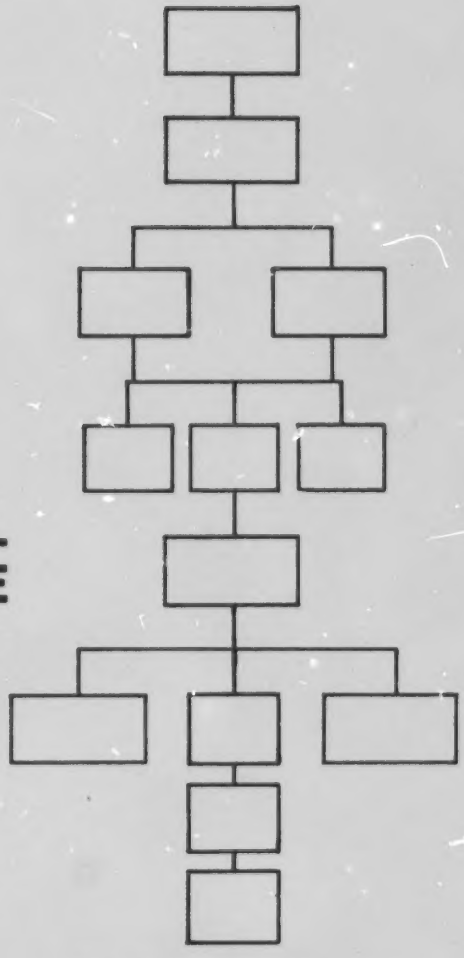
State Finance Charges in Uniform Manner

Present Annual Percentage Rate

Develop Methods to Handle Errors



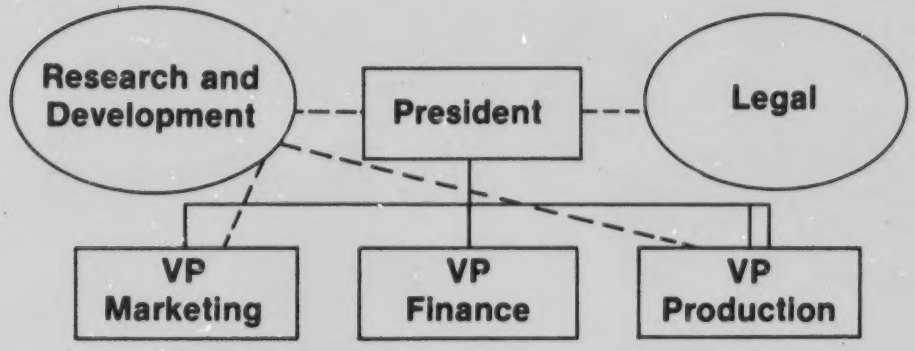
Flat Organization



Tall Structure

WHAT ORGANIZATIONAL PROBLEMS MIGHT ARISE WITH EITHER OF THESE TWO ORGANIZATION STRUCTURES?

LINE AND STAFF ORGANIZATION

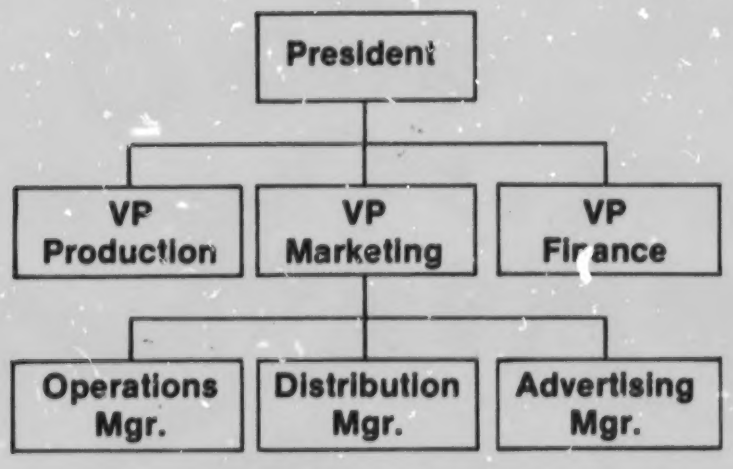


Staff advisers are indicated by dotted lines

1. **Advisers have no authority over employees**

2. **Advisers viewed as "auxiliary experts"**

LINE ORGANIZATION



1. Each employee has only one "boss."
2. No one has power control.
3. Work is delegated.
4. Direct lines of communications exist.

Steps in doing job analysis:

1. Interview person who does the job
2. Compile list
3. Check list with supervisor(s) and subordinate(s)
4. Revise list

Outline for development of a training program

1. PLAN AHEAD
   - A. Identify needs
   - B. Define what is to be learned (objectives)
   - C. Decide who is to be trained
2. CHOOSE TIME, PLACE, AND TRAINER
3. INFORM PARTICIPANTS
   - A. Who
   - B. When
   - C. Where
   - D. How to dress
   - E. What will be learned
4. BEGIN THE PLANNED INSTRUCTION
   - A. Introduction
   - B. Content
   - C. Breaks
5. PRESENT THE INFORMATION
   - A. Verbal presentation
   - B. Demonstration
   - C. Practice/feedback
   - D. Questions?
6. FOLLOW UP
   - A. Observe new behaviors
   - B. Make corrections
   - C. Reinforce good performance

Steps in corrective interview

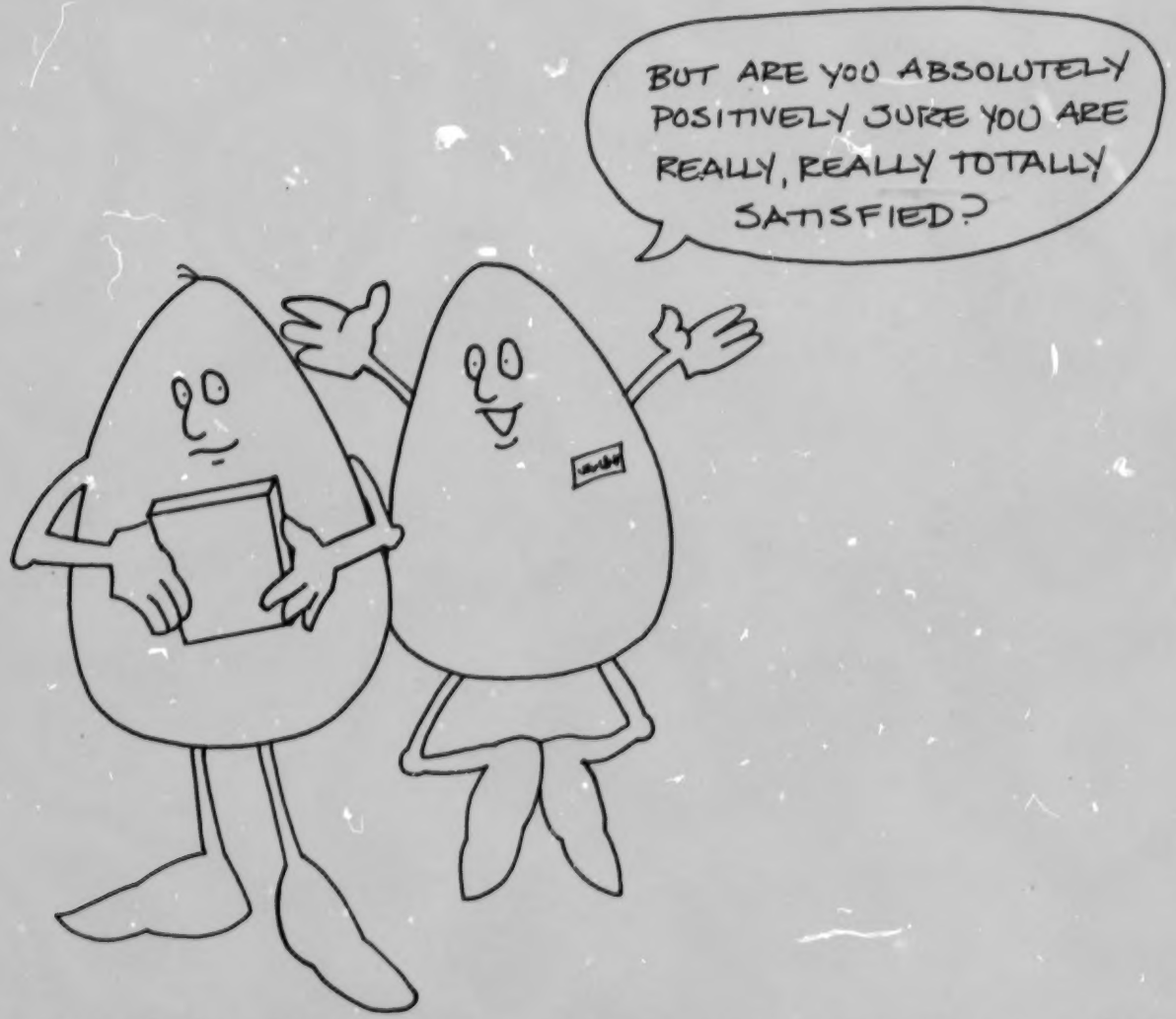
1. Schedule a meeting.
2. Explain what you observed and why it concerns you.
3. Listen to the employee's explanation.
4. React to the explanation.
5. Discuss what needs to change.
6. Schedule another meeting.
7. Make notes.
8. Have a follow-up meeting.

Steps in a compensation evaluation

1. Schedule a meeting.
2. Deliver the news first.
3. Explain your decision.
4. Answer questions.
5. Set a date.
6. Make notes.

Steps in an employee development evaluation

1. Schedule a meeting.
2. Review the task list together.
3. Discuss the importance of the task.
4. Give the employee feedback.
5. Listen and answer questions.
6. Respond to problems.
7. Set goals.
8. Reaffirm positive feedback.
9. Set a date.
10. Thank the employee.
11. Make notes.



CUSTOMERS ARE SATISFIED WHEN THEY GET GOOD VALUE

DEVELOPING AN ADVERTISING PLAN

Take an honest look at your attitude about advertising

Profile your customers

Set a sales goal

Decide on how much advertising you will need to reach your goal

Set aside a reserve

Decide on what to promote

Schedule next month's ad program

Make your ads pack selling punch

Stick to your ad plan

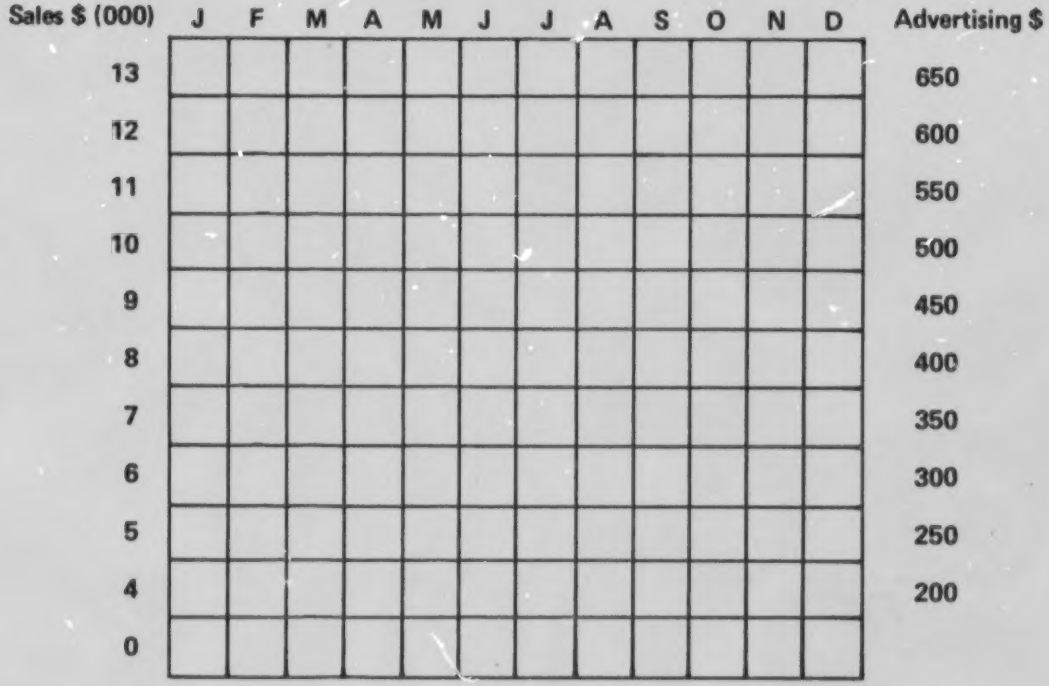
PROFILE YOUR CUSTOMERS, MARKET, AND STORE

1. What quality do I sell?
2. What selling techniques do I use?
3. How do I compare with competitors?
4. What customer services do I offer?
5. Am I accessible to the public?
6. Who makes up my market?
7. Why do people buy from me?
8. Why don't people buy from me?

MONTHLY COMPARISON OF ADVERTISING AND SALES DOLLARS

	Sales			Advertising		
	Sales (in dollars)	% of Year's Sales		Advertising (in dollars)	% of Year's Advertising	
JAN.	_____	_____	%	_____	_____	%
FEB.	_____	_____	%	_____	_____	%
MAR.	_____	_____	%	_____	_____	%
APR.	_____	_____	%	_____	_____	%
MAY	_____	_____	%	_____	_____	%
JUNE	_____	_____	%	_____	_____	%
JULY	_____	_____	%	_____	_____	%
AUG.	_____	_____	%	_____	_____	%
SEPT.	_____	_____	%	_____	_____	%
OCT.	_____	_____	%	_____	_____	%
NOV.	_____	_____	%	_____	_____	%
DEC.	_____	_____	%	_____	_____	%
TOTAL	_____	100%		_____	100%	

GRAPH OF SALES AND ADVERTISING - PLANNED VERSUS ACTUAL



NOTE: Dollar amounts listed on the graph scales for sales and advertising should be modified to reflect your actual business.

Transparency No. 6

Promoting the Business
Unit 13
Level 3

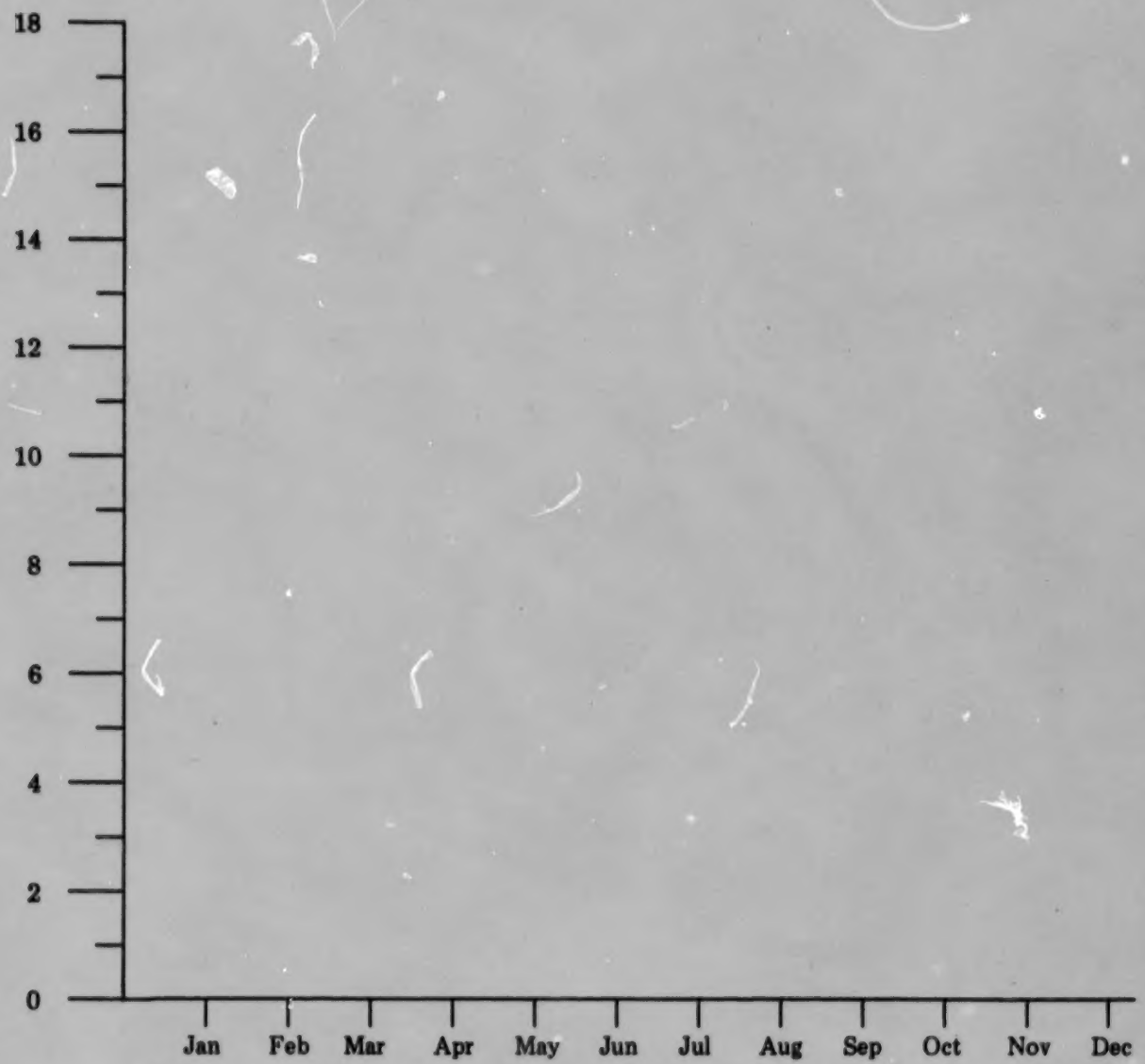
PLANNING CALENDAR

MON.	TUES.	WED.	THURS.	FRI.	SAT.	SUN.

PUBLIC RELATIONS: PRESENTING THE RIGHT IMAGE

Do You Extend Yourself for Creative Selling?

(In thousands of dollars, gross)

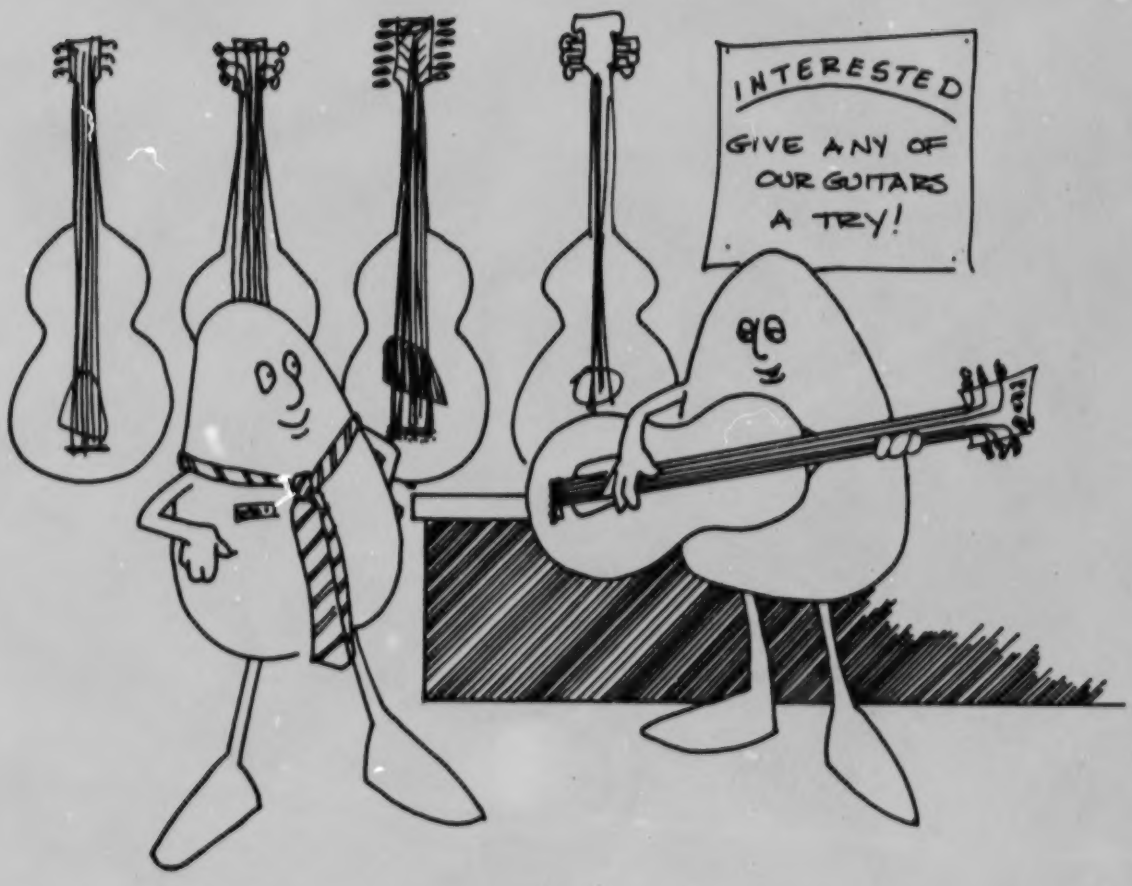


Transparency No. 3

WEEKLY SALES PLAN

Sales Person	Week 1		Week 2		Week 3		Week 4		Total Month	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual

Involving Customers



Involving Customers Helps to Give Them a Feeling of Ownership

149

Don't Pick Up Bad Habits

Transparency No. 6

Deal With Objections

151

133

Managing Sales Efforts
Unit 14
Level 3

134

Treat Your Customer Like Royalty

153

135

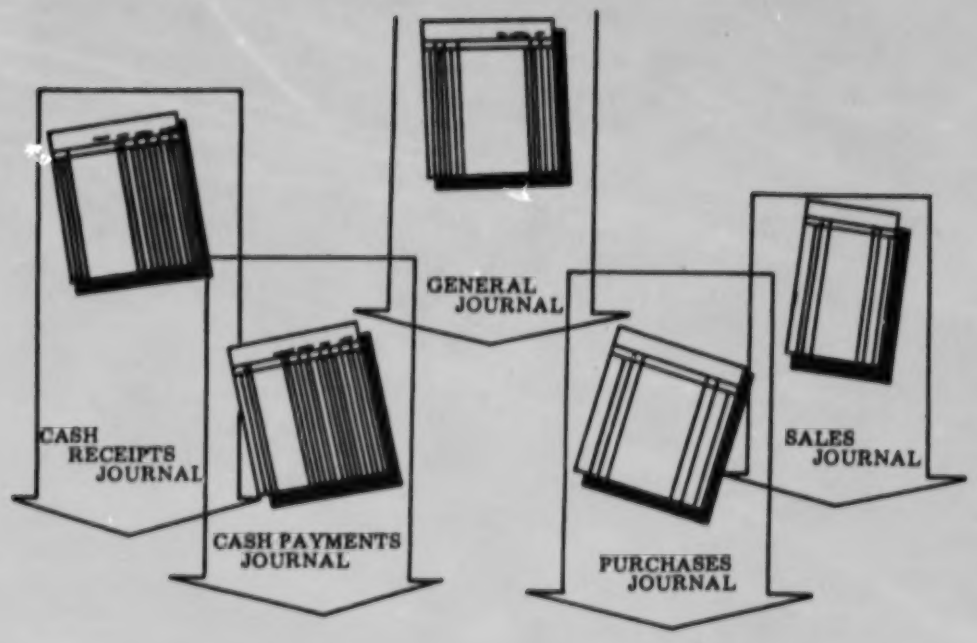
Transparency No. 7

Managing Sales Efforts
Unit 14
Level 3

136

Hidden Features: Find the Profiles

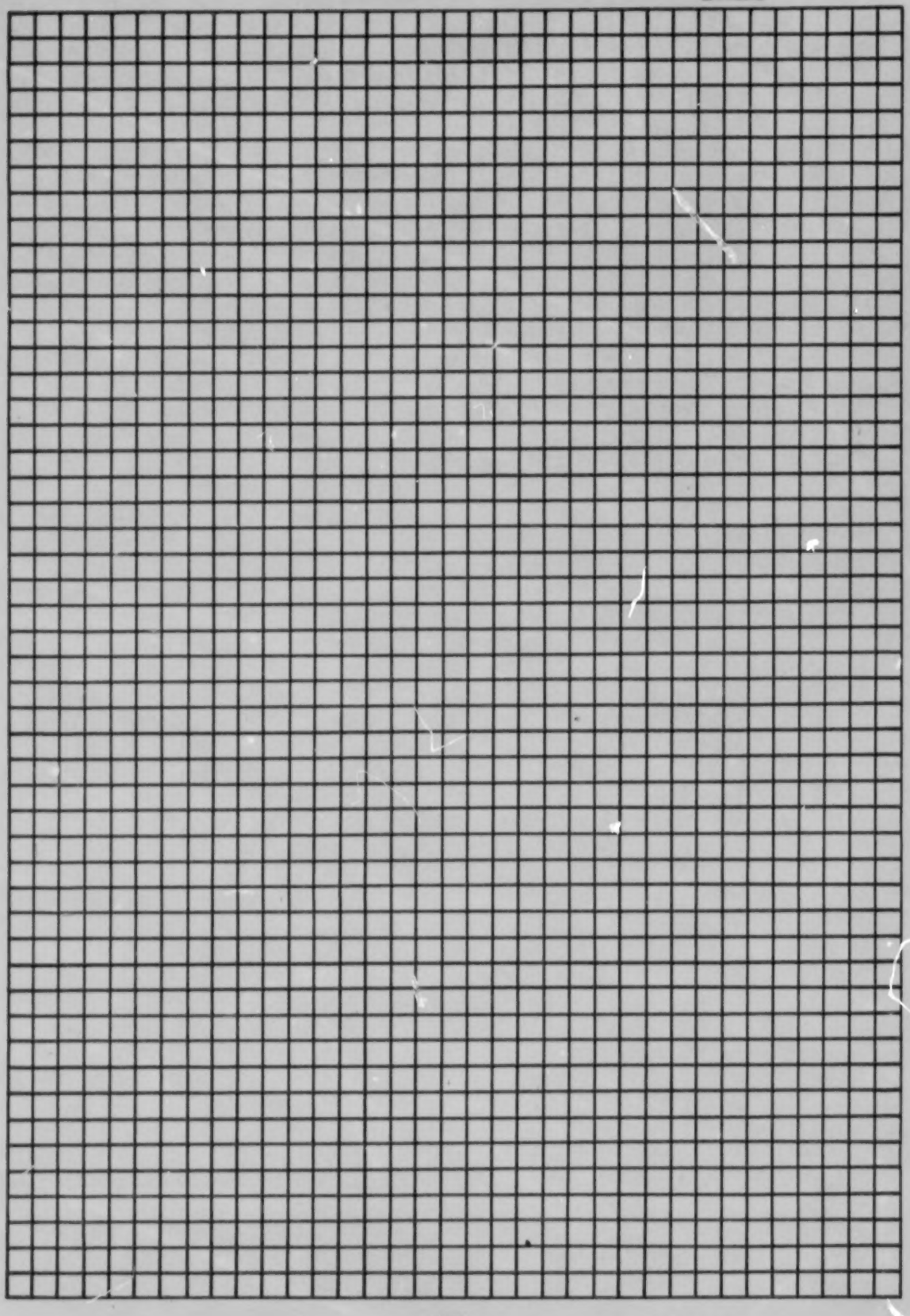
THE COMBINATION JOURNAL



Cash		Ck. No.	Date	Account Title	Post. Ref.	General		Accounts Payable		Purchases Discount	Accounts Receivable		Sales Discount	Purchases
Dr.	Cr.					Dr.	Cr.	Dr.	Cr.	Cr.	Dr.	Cr.	Dr.	Dr.

A small business may use a combination journal instead of special journals. The combination journal has columns that take the place of the various special journals.

BREAKEVEN GRID



HANDOUTS

Note to Instructor:

This section contains handouts to be duplicated for use with the modules or with the *Instructor Guide* as needed by students.

ARE YOU READY TO BECOME AN ENTREPRENEUR?

The Small Business Administration (SBA) has developed some questions to help you think about what is needed to become a successful entrepreneur. Answer each question. If the answer is YES, you are on the right track. If you answer NO, you have some work to do.

	YES	NO
WHAT ABOUT YOU?		
• Are you the kind of person who can get a business started and run it successfully?	____	____
• Think about why you want to own your own business. Do you want it badly enough to work long hours without knowing how much money you'll end up with?	____	____
• Does your family go along with your plan to start a business of your own?	____	____
• Have you worked in a business similar to the one you want to start?	____	____
• Have you worked for someone else as a supervisor or manager?	____	____
• Have you had any business training in school?	____	____
WHAT ABOUT THE MONEY?		
• Have you saved any money?	____	____
• Do you know how much money you will need to get your business started?	____	____
• Have you figured out whether you could make more money working for someone else?	____	____
• Have you determined how much of your own money you can put into the business?	____	____
• Do you know how much credit you can get from your suppliers—the people from whom you will buy?	____	____
• Do you know where you can borrow the rest of the money needed to start your business?	____	____
• Have you figured out your expected net income per year from the business? (Include your salary and profit on the money you put into the business.)	____	____

	YES	NO
• Can you live on less than this so that you can use some of it to help your business grow?	____	____
• Have you talked to a banker about your plans?	____	____
SELLING		
• Have you decided on a selling plan?	____	____
• Do you know how to get customers to buy?	____	____
• Have you thought about the selling techniques that make customers want to buy from some salespersons while others turn them off?	____	____
YOUR EMPLOYEES		
• If you need to hire someone to help you, do you know where to look?	____	____
• Do you know what kind of person you need?	____	____
• Do you know how much to pay?	____	____
• Do you know what benefits to provide?	____	____
• Do you have a plan for training your employees?	____	____
• Do you have a work plan for yourself and your employees?	____	____
CREDIT FOR YOUR CUSTOMERS		
• Have you decided whether to let your customers buy on credit?	____	____
• Do you know the good and bad points about joining a credit card plan?	____	____
• Can you tell a "deadbeat" from a good credit customer?	____	____
• Have you talked with other business owners in the area about what they think of the business?	____	____
• Have you talked with the company's suppliers?	____	____
• Have you talked to a lawyer about it?	____	____
ADVERTISING		
• Have you decided how you will advertise (newspapers, posters, handbills, radio, mail)?	____	____

	YES	NO
• Do you know where to get help with your ads?	____	____
• Have you watched how other similar businesses get people to buy?	____	____
THE PRICES YOU CHARGE		
• Can you determine what you should charge for each product or service you sell?	____	____
• Do you know what other businesses like yours charge?	____	____
BUYING		
• Do you know how to find out what your customers want?	____	____
• Will your inventory records tell you when it is time to reorder and how much to order?	____	____
• Will you buy most of your stock from a few suppliers rather than a little from many, so that those you buy from will want to help you succeed?	____	____
• Have you made plans for protecting your business against thefts of all kinds (shoplifting, robbery, burglary, stealing by employees)?	____	____
• Have you talked with an insurance agent about what kinds of insurance you need?	____	____
BUYING A BUSINESS FROM SOMEONE ELSE		
• Have you made a list of what you like and don't like about buying a business someone else has started?	____	____
• Are you sure you know the real reason why the owner wants to sell that business?	____	____
• Have you compared the cost of buying the business with the cost of starting a new business?	____	____
• Are the stock/equipment/fixtures up to date and in good condition?	____	____
• Is the building in good condition?	____	____
• Will the owner of the building transfer the lease to you?	____	____
• Have you talked with other business people in the area to see what they think of the business?	____	____

	YES	NO
• Have you talked with the company's suppliers?	____	____
• Have you talked with a lawyer about it?	____	____
YOUR RECORDS		
• Have you planned a system of records that will enable you to keep track of your income and expenses, what you owe other people, and what other people owe you?	____	____
• Can you keep track of your inventory so that you will always have enough on hand for your customers, but not more than you can sell?	____	____
• Have you figured out how to keep payroll records and take care of tax reports and payments?	____	____
• Do you know what financial statements you should prepare?	____	____
• Do you know how to use these financial statements?	____	____
• Do you know an accountant who will help you with your records and financial statements?	____	____
YOUR BUSINESS AND THE LAW		
• Do you know what licenses and permits you need?	____	____
• Do you know what business laws you have to obey?	____	____
EQUIPMENT AND SUPPLIERS		
• Do you know what equipment and supplies you will need and how much they will cost?	____	____
• Can you save some money by buying secondhand equipment?	____	____
YOUR MERCHANDISE/SERVICES		
• Have you decided what products/services you will sell?	____	____
• Do you know how much or how many of each product you will need to buy in order to open your business?	____	____
• Have you found suppliers who will sell you what you need at a good price?	____	____
• Have you compared the prices and credit terms of different suppliers?	____	____

	YES	NO
HOW ABOUT A PARTNER?		
• If you need a partner who has money or know-how you need, do you know someone who will fit—someone with whom you can get along?	____	____
• Do you know the good and bad points about going it alone, having a partner, and incorporating your business?	____	____
• Do you know a lawyer to whom you can go for advice and help with legal papers?	____	____
• Have you talked to a lawyer about it?	____	____
WHAT ABOUT YOUR CUSTOMERS?		
• Do most businesses in your community seem to be doing well?	____	____
• Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?	____	____
• Do you know what kind of people will want to buy what you plan to sell?	____	____
• Do such people live in the area where you want to open your business?	____	____
• Do you feel they need a business like yours?	____	____
• If not, have you thought about opening a different kind of business or going to another neighborhood?	____	____
YOUR BUILDING		
• Have you found a good location for your business?	____	____
• Will you have enough room when your business "gets going"?	____	____
• Will you have adequate parking facilities?	____	____
• Can you fix the building the way you want to without spending too much money?	____	____
• Can potential customers get to it easily from parking spaces, bus stops, or homes?	____	____
• Have you had a lawyer check the lease and zoning?	____	____

(Adapted from SBA *Small Marketer's Aid*, No. 71, pp. 1-4.)

TECHNICAL ASSISTANCE NEEDS ASSESSMENT

Management Responsibility	Self-Rating O.K.	Needs Assistance	Agency to Be Contacted for Assistance	Help to Be Requested
I.				
1.				
2.				
3.				
4.				

Monthly Calendar for Technical Assistance Interviews

(Company Name)

Jan	Feb	Mar	April
May	June	July	Aug
Sept	Oct	Nov	Dec

120

Unit 4
Level 3
Handout No. 2

ANALYZING THE APPROPRIATE CHOICE OF OWNERSHIP

Type of Business: _____

Listed below are factors you should consider in analyzing the appropriate choice of ownership for your business. Indicate on the right side of the page the importance of the factors given on the left side of the page. Add other factors of importance to you.

Factor	Not Important	Of Moderate Importance	Very Important	Does Not Apply
Ease of formation				
Start-up costs:				
• Low				
• Moderate				
• High				
Amount of working capital required				
Ease of raising capital				
Amount of personal liability				
Amount of control:				
• Owner in direct control				
• Management assistance				
• Specialized management				
Personal tax advantage				
Freedom from regulation				
Continuous existence				
Transfer of ownership				

THE INITIAL ESTIMATES OF START-UP COSTS AND MONTHLY OPERATING EXPENSES WORKSHEET

	Friend	Competition	Average	Yours
Initial Capital Requirements				
Purchase of real estate/rent				
Decorading/Remodeling				
Fixtures and equipment				
Initial inventory				
Accounts receivable				
Utility deposits				
Initial advertising				
Office supplies				
Installation of equipment				
Legal and professional fees				
Licenses and permits				
Total				
Monthly Operating Expenses				
Salary of owner				
Other salaries				
Rent/mortgage				
Advertising				
Delivery expenses				
Supplies				
Telephone				
Utilities				
Insurance				
Taxes				
Loan repayment				
Travel				
Legal and professional fees				
Total				

Projected Sales Income

	J	F	M	A	M	J	J	A	S	O	N	D
Friend												
Competition												
Average												
Yours												

WORKSHEET

ESTIMATED MONTHLY EXPENSES			
ITEM	Your estimate of monthly expenses based on sales of $_____ per year	Your estimate of how much cash you need to start your business (See column 3.)	What to put in column 2 (These figures are typical for one kind of business you will have to decide how many months to allow for in your business.)
	Column 1	Column 2	Column 3
Salary of owner/manager	$	$	2 times column 1
All other salaries and wages			3 times column 1
Rent			3 times column 1
Advertising			3 times column 1
Delivery expense			3 times column 1
Supplies			3 times column 1
Telephone and telegraph			3 times column 1
Other utilities			3 times column 1
Insurance			Payment required by insurance company
Taxes, including Social Security			4 times column 1
Interest			3 times column 1
Maintenance			3 times column 1
Legal and other professional fees			3 times column 1
Miscellaneous			3 times column 1
STARTING COSTS YOU ONLY HAVE TO PAY ONCE			
Fixtures and equipment			Fill in worksheet 3 on page 12 and put the total here
Decorating and remodeling			Talk it over with a contractor
Installation of fixtures and equipment			Talk to suppliers from whom you buy these
Starting inventory			Suppliers will probably help you estimate this
Deposits with public utilities			Find out from utilities companies
Legal and other professional fees			Lawyer, account, and so on
Licenses and permits			Find out from city offices what you have to have
Advertising and promotion for opening			Estimate what you'll use
Accounts receivable			What you need to buy more stock until credit customers pay
Cash			For unexpected expenses or losses, special purchases, etc.
Other			Make separate list and enter totals
TOTAL ESTIMATED CASH YOU NEED TO START WITH			Add up all the numbers in Column 2

Figure 1. SBA Checklist

SOURCE: Reproduced from "Checklist for Going into Business." Small Marketers Aid no. 71. Washington, D.C.: Small Business Administration, 1975, pp. 6–7.

PERSONAL LIVING EXPENSE WORKSHEET

Based on average month—does not cover purchase of any new items except emergency replenishments.

DETAILED BUDGET

Regular Monthly Payments

Rent or House Payments (including taxes	_____
Car Payments (including insurance)	_____
Appliances/TV Payments	_____
Home Improvements Loan Payments	_____
Personal Loan Payments	_____
Health Plan Payments	_____
Life Insurance Premiums	_____
Other Insurance Premiums	_____
Other Insurance Premiums	_____
Miscellaneous Payments	_____
TOTAL	_____

Household Operating Expense

Telephone	_____
Gas and Electricity	_____
Water	_____
Other Household Expenses, Repairs, Maintenance	_____
TOTAL $	_____

Food Expense

Food at Home	_____
Food Away from Home	_____
TOTAL	_____

Personal Expense

Clothing, Cleaning, Laundry, Shoe Repair	_____
Drugs	_____
Doctors and Dentists	_____
Education	_____
Dues	_____
Gifts and Contributions	_____
Travel	_____
Newspapers, Magazines, Books	_____
Auto Upkeep, Gas and Parking	_____
Spending Money, Allowances	_____
TOTAL $	_____

BUSINESS MANAGEMENT PLAN

Type of Business: _____

Description of Business: _____

Expected Sales (yearly: _____

I. Establish long-term and short-term plans for your chosen business for a one-year period. Write specific goals and objectives. Include such areas as sales, profit, production, etc.

Area	Long-term Goals and Objectives	Short-term Goals and Objectives

II. Locate or design any planning devices that will aid this business in achieving these goals and objectives. For example, will budget forms and schedules be needed? If so, attach copies.

In the space below, develop *standards* that you will use to determine the effectiveness of your plans.

III. How many employees will you hire? _____

List the job titles of each of your employees and briefly describe the duties and responsibilities of each.

	Job Title	Job Duties
1.		
2.		
3.		
4.		
5.		
6.		

In the space below, draw an organization chart showing the formal internal organization you think would be best for this business.

IV. For each of the goals and objectives you listed in Part I, establish a control procedure. In other words, how will you determine if the goals and objectives have been reached?

ADVERTISING PLAN

Getting Ready to Advertise

How do you feel about advertising? Is it an investment or an expense? Do you use it to build your company? Or is it a pain in the neck? Your answers to the following ten questions should help you examine (1) your attitude toward advertising and (2) its contribution toward your sales and profits.

	YES	NO
1. Has your business been growing each year?	____	____
2. Can you predict, with reasonable accuracy, what next year's sales will be?	____	____
3. Are you aware that advertising includes the coordination of *all* promotional and selling functions (such as window and in-store display)?	____	____
4. Do you set aside time each month to make promotional plans?	____	____
5. Do you have figures at your fingertips on how much you invested in advertising each month of last year?	____	____
6. If you answered No. 5 with "Yes," did each month's percentage of the total year's advertising closely match each month's percentage of your total year's sales?	____	____
7. Do you have figures at your fingertips to show what percent of each month's sales was in each department of your store?	____	____
8. Did your advertising last month promote each department in relation to its contribution to your total sales?	____	____
9. Do you know the percentage of sales invested in advertising by businesses similar to yours?	____	____
10. Do you know how to prepare a strong ad and to check on the results it brings?	____	____

Scoring: How Many "Yeses"?

Only three YES answers or less means that you, as the small marketer, are not aware of the fact that a planned advertising program can help to increase profits.

If you checked between four and eight YES answers, you probably have good promotional possibilities. You already have a good understanding of what advertising can do for you. But even so, you may want to check your advertising against the steps in a planned advertising program.

WEEKLY SALES PLAN

Salesperson	Week 1 Plan	Week 1 Actual	Week 2 Plan	Week 2 Actual	Week 3 Plan	Week 3 Actual	Week 4 Plan	Week 4 Actual	Total Month Plan	Total Month Actual
No. 1										
No. 2										
No. 3										
Total										

Salesperson	Week 1 Plan	Week 1 Actual	Week 2 Plan	Week 2 Actual	Week 3 Plan	Week 3 Actual	Week 4 Plan	Week 4 Actual	Total Month Plan	Total Month Actual
No. 1										
No. 2										
No. 3										
Total										

Salesperson	Week 1 Plan	Week 1 Actual	Week 2 Plan	Week 2 Actual	Week 3 Plan	Week 3 Actual	Week 4 Plan	Week 4 Actual	Total Month Plan	Total Month Actual
No. 1										
No. 2										
No. 3										
Total										

Salesperson	Week 1 Plan	Week 1 Actual	Week 2 Plan	Week 2 Actual	Week 3 Plan	Week 3 Actual	Week 4 Plan	Week 4 Actual	Total Month Plan	Total Month Actual
No. 1										
No. 2										
No. 3										
Total										

Unit 14
Level 3
Handout No. 2

SALES PRESENTATION RATING FORM

NAME _____ PRODUCT _____

TOTAL TIME OF PRESENTATION _____

1.	Sales Characteristics	(25) Maximum	
	Appearance	(3)	_____
	Manners	(3)	_____
	Personality	(3)	_____
	Tact	(3)	_____
	Enthusiasm	(3)	_____
	Positive Attitudes	(10)	_____
2.	Check Off Steps of Sale Used	(12) Maximum	
	Pre-approach	(2)	_____
	Approach	(2)	_____
	Survey	(2)	_____
	Proposal	(2)	_____
	Demonstration	(2)	_____
	Close	(2)	_____
3.	Demonstration	(37) Maximum	
	Creative	(8)	_____
	Brief	(2)	_____
	Needs oriented	(8)	_____
	Understandable	(5)	_____
	Asked for questions	(3)	_____
	Answered all objections	(8)	_____
	Mentioned service	(3)	_____
4.	Close	(13) Maximum	
	Asked for the sale with positive expectancy	(10)	_____
	More than 1 trial close	(3)	_____
	Would you have bought?	Yes	_____ No _____
5.	Professionalism	(13) Maximum	
	Searched for motives	(4)	_____
	Sold benefits	(3)	_____
	Was helpful	(3)	_____
	Showed all needed services/products	(3)	_____
	Total Overall Rating		_____

Check one:

_____ Excellent _____ Fair

_____ Good _____ Needs improvement

CHECKLIST FOR A PROFESSIONAL

How do you measure up? Are you a practicing professional salesperson? Check your habits, knowledge, attitudes, and techniques against this list.

	Yes	No	Sometimes
1. Do you agree that today's level of sophistication in buying requires a higher degree of professionalism in selling than ever before?	—	—	—
2. Do you fully recognize the importance of time and exercise full control of it and make it work for you?	—	—	—
3. Do you feel you know all you need to know about your job and your product(s) and services?	—	—	—
4. Have you fully served your apprenticeship in learning and developing your skills to qualify as a true professional?	—	—	—
5. Do your customers regard you as an expert in your profession and as a reliable and helpful person to turn to in solving their problems with what you have to offer?	—	—	—
6. Do you take every possible opportunity to associate with and learn from your fellow professional salespersons as well as from your supervisors?	—	—	—
7. Are you honestly proud of your profession and feel you are contributing to the total scheme of life and to the general welfare?	—	—	—
8. Basic as it may seem, do your physical appearance and grooming fit your mental image of what it takes to be a professional?	—	—	—
9. Do you have a set of personal and professional ethical standards that you will not compromise at any time?	—	—	—
10. Do you have a continual attitude of "divine discontent" in the perfection of your skills, in terms of a healthy dissatisfaction or knowledge that you are not exercising the full potential of your professional skills and ability?	—	—	—

Have you made your mark as a professional salesperson? Any "No" or "Sometimes" responses are the signal to you to put on your thinking cap and do some thoughtful mental homework as to the reasons "why not." It is your professional future that's at stake.

CREDIT AND COLLECTION POLICIES CHECKLIST

	Yes	No	Not Applicable (N/A)
Is a written application required with every credit request?	—	—	—
Do you have a standard for credit applications?	—	—	—
Is the application form completed personally by the applicant?	—	—	—
Is the application form reviewed for completeness?	—	—	—
Is all information verified for accuracy and timeliness?	—	—	—
Are applicants checked via a credit bureau?	—	—	—
Does your credit evaluation procedure analyze income?	—	—	—
Does your credit evaluation procedure analyze fixed oblications?	—	—	—
Does your credit evaluation procedure analyze job stability?	—	—	—
Does your credit evaluation procedure analyze residential stability?	—	—	—
Does your credit evaluation procedure analyze credit history?	—	—	—
Does your credit evaluation procedure analyze bank balances?	—	—	—
Does your credit evaluation procedure analyze other assets?	—	—	—

Unit 17
Level 3
Handout No. 1

	Yes	No	*Not* Applicable (N/A)
Invoices			
Are invoices prepared promptly?	—	—	—
Is invoice preparation always as accurate as possible?	—	—	—
Are payment terms clearly stated?	—	—	—
Are customers' special instructions followed carefully?	—	—	—
Terms of Sale			
Do you offer a cash discount for prompt payment?	—	—	—
Do you use a late payment penalty?	—	—	—
Is the time limit for payment clearly stated?	—	—	—
Statements			
Are monthly statements submitted to all open accounts?	—	—	—
Are statements prompt and accurate?	—	—	—
Problems of Identification			
Do you determine your average collection period on a regular basis?	—	—	—
Do you compare your collection period with your previous experience?	—	—	—
Do you compare your collection period with your payment terms?	—	—	—
Do you have a monthly "aging" of all outstanding accounts?	—	—	—
When a problem is identified, is corrective action prompt and firm?	—	—	—

	Yes	No	Not Applicable (N/A)
Follow-up			
Do you have a systematic procedure for follow-up on slow accounts?	—	—	—
Is there a standard sequence of follow-up letters?	—	—	—
Is the tone of follow-up letters progressively stronger?	—	—	—
Do you use the telephone to contact delinquent accounts?	—	—	—
Is your telephone technique effective?	—	—	—
Do you offer special arrangements for customers to pay past-due accounts?	—	—	—
Do you impose a late-payment penalty?	—	—	—
Do you put delinquent accounts on a cash-only basis?	—	—	—
External Resources			
Do you have a working relationship with a collection agency?	—	—	—
Are accounts automatically turned over to a collection agency after a specific time period?	—	—	—
Do you refer the most serious delinquencies to an attorney?	—	—	—

Sound policies for credit and collection can eliminate many problems before they occur and minimize those that do occur. If you apply these policies to your own business, your profit will improve and your cash position will be strengthened. Profit will improve through fewer credit losses and lower costs of credit administration. Capital will be freed so that you will be able to meet your own obligations promptly. You can then invest in those assets that offer a significant profit potential.

BUSINESS PROTECTION PLAN

Type of Business: _____

Description of Business: _____

Expected Sales (yearly) _____

Number of Employees: _____

Develop policies for your businss that will aid it in minimizing losses due to crime. You may want to consider the questions listed at the end of the unit as guidelines.

TYPE OF CRIME	POLICIES TO DETER CRIME AND MINIMIZE LOSSES
1. Shoplifting	
2. Bad checks	
3. Employee theft	
4. Vendor theft	
5. Robbery	
6. Burglary	
7. List other crimes that may affect your business. a. _____ b. _____ c. _____	

Unit 18
Level 3
Handout No. 1

List any mechanical equipment (such as alarms and fire extinguishers) or professional services that you will purchase to help protect your business from loss. Include an estimate of the cost of each.

PROTECTIVE DEVICES AND EQUIPMENT	COST
1.	
2.	
3.	
4.	
5.	

List any insurance policies (e.g., fire) you will purchase for your business. Describe what it will cover and the yearly cost.

TYPE OF INSURANCE POLICY	WHAT DOES IT COVER	YEARLY COST
1.		
2.		
3.		
4.		
5.		

MODEL
ACTIVITY RESPONSES

Note to Instructor:
This section contains suggested responses for module activities. The instructor should use judgement for those activities where there is no single response.

MODEL ACTIVITY RESPONSES

Case Study

1. How did Linda Walton prepare for using technical assistance?

   Define the problem

   The specific problem was declining profits over eighteen months.
   Expenses had increased.
   Competition had increased.

   Identify expected benefits

   Linda brought in a financial consultant to review the financial operation. She wondered if her management needed improvement.

   Analyze cost-effectiveness

   Linda knew that profits had to be increased. She decided the money for a consultant would be beneficial to the company. In the end, she found that the progress during the past year more than offset the costs of technical assistance.

   Consider personal constraints

   Linda probably had some qualms about bringing in a consulting firm and later a new accountant. After all, the elderly accountant had probably been with the firm for most of Linda's life. But she made up her mind in advance that she would accept the findings of the consulting firm and take action, regardless of her personal feelings.

   Consider options available

   Linda could have received help from her banker, from her lawyer, and from her accountant. Or she could have employed an independent agency with no previous knowledge of the firm.

2. How did Linda select an accountant?

   She consulted her banker, her business association, and a few competitors before selecting John Amos as her new independent accountant.

3. Did Linda and John Amos work together effectively? How do you know?

   After working for a year with the new accountant, Linda reduced her company's operating expenses and hired an assistant manager. The profit picture improved and the accountant became a real asset to the business. As a result of the new accountant-manager relationship, Linda improved her understanding of accounting and management controls.

MODEL ACTIVITY RESPONSES

Case Study

Based on the information provided in the DeBusko case study, the following calculations can be made:

1. The first year's sales goal = $150,000 since 10 percent (net profit on sales) of $150,000 is $15,000.

2. The cost of merchandise sold during the first year = $75,000, as the gross margin is 50 percent, cost of merchandise sold will also be 50 percent of sales—and 50 percent of $150,000 = $75,000.

3. The monthly overhead cost will be $5,000. Sales for the first year = $150,000; therefore sales per month will be $12,500. Operating costs are 40 percent of gross sales, and 40 percent of $12,500 = $5,000.

4. The cost beginning inventory is $12,500. Cost of merchandise sold during the first year is $75,000. The average rate of inventory is six times per year. One-sixth of $75,000 is $12,500.

MODEL ACTIVITY RESPONSES

Case Study

1. Since Sandi has never used the services of a lawyer before, it would probably be a good idea for her to get a referral on a lawyer. An accountant, banker, insurance broker, judge, bar association, or legal aid society would probably be happy to give her some recommendations. She might also talk with the owner of another tennis shop. Other sources of information include members of the Service Corps of Retired Executives (SCORE) and the *Martindale-Hubbell Law Directory*.

2. Although Sandi may be able to find many attorneys through advertisements, she should probably not rely on this method. Small business owners must have confidence in the person they select for legal representation. For such confidence, they must have some idea of the lawyer's background and experience. Although many fine lawyers advertise their services, advertisements are usually not good sources of information on a lawyer's qualifications.

MODEL ACTIVITY RESPONSES

Case Study

(MARVIN NICHOLS)

Marvin is wise to visit an accountant and to seek technical assistance for his goals of increased cash flow and employee benefits. Compliance with government tax regulations is a must, but there are various ways to effect that compliance.

For example, Marvin may be able to get some tax advantage from speeding up the depreciation of his new equipment. Venture capital risked for his new prototype could also be taxed at reduced rates. Money contributed to employee retirement funds may be deducted for tax purposes. Marvin's accountant should be able to advise him on his options according to current tax legislation.

(JAMES WORTHMAN)

Jim should review the proposals with an awareness of antitrust laws. He should accept proposals that enable him to improve his market position without breaking these laws. Those proposals that hinder competition as defined by government legislation should be rejected.

Jim should establish a company policy relating his specific business to antitrust laws. A lawyer may be helpful in accomplishing this. Employees should be trained to comply with the policy set and to follow established procedures to implement the policy. A documentation system should also be followed regularly and reviewed yearly.

MODEL ACTIVITY RESPONSES

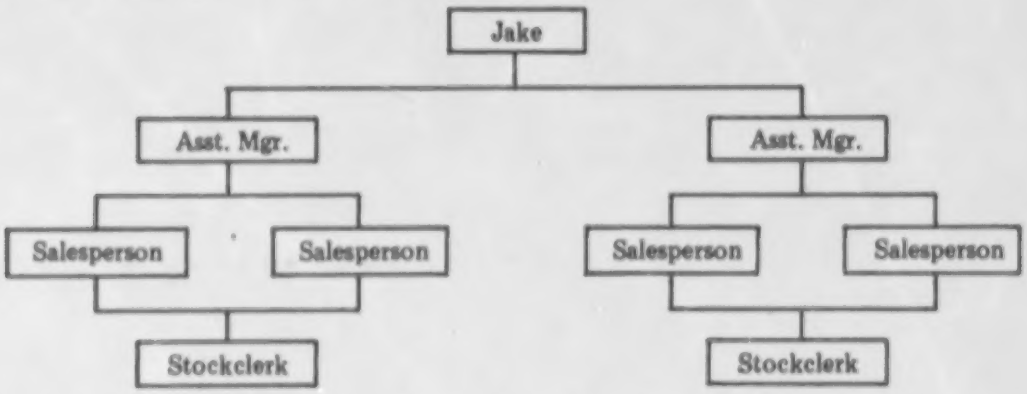
Case Study

1. There are problems with Jake's goals and objectives. Generally, they need to be more specific. For example, several could be rewritten as follows:

   a. Increase sales by 5 percent.
   b. Reduce customer complaints and returns by 15 percent.
   c. Increase the average productivity rating of the department by 10 percent.

   Also, one objective is unrealistic. For example, employee absenteeism probably can't be totally eliminated.

2. Jake's organizational chart is too centralized. He needs to delegate more responsibility and authority. One possible organizational plan is as follows:



3. From Jake's original list of goals and objectives, determining whether or not he has achieved his goals and objectives would be difficult to determine. Rewritten objectives can be evaluated using the following methods:

   a. Sales figures can be used to determine any increases or decreases. Comparisons can be made with past sales figures.
   b. Customer complaints and customer returns could both be used to determine customer satisfaction.
   c. Individual and department productivity rates can be used to determine the effectiveness of individual salespersons, or of the entire department.

MODEL ACTIVITY RESPONSES

Case Study

1. What was wrong in the case study:

   a. Developmental feedback should be separated from salary discussion.
   b. Specific feedback, not general, should have been given.
   c. Job analysis should have been done, and referred to. Jane may not be doing everything she should do.
   d. Privacy was not provided.
   e. Dialogue was not encouraged, so Ed had no chance to learn from Jane. She might have pointed out that ancient equipment is hurting their efficiency and therefore losing money.
   f. Specific goals were not set. Jane won't have any way to measure her progress.
   g. Thanks were not given. The raise was deserved, but praise is important for employee satisfaction.
   h. Notes were not made.
   i. The amount of the raise was not mentioned.

2. In order to do a better job, each of the above steps should have been done.

3. It is reasonable to expect that the long-term results of this kind of management will be the following:

   a. Jane will feel unappreciated. She may care less about how the office runs. She may leave.
   b. Ed should have spent more time with Jane discussing her performance and any issues either of them cared to raise about the office and its operation. For example, the ancient office equipment situation could have been discussed, especially since the use of poorly functioning equipment often prevents efficiency and can hasten a decline in employee morale. Ed and Jane could have discussed tactics that Jane could use in helping the drivers and the office workers work together harmoniously, with more mutual respect for each other. All these questions should be tied in to helping Jane do a better job. A job review is a time for an employer to assess the employee's strengths and weaknesses, to offer praise for the strengths, and to identify strategies for improvement in the weak areas.
   c. In order to avoid problems down the road, Ed needs to give Jane more supervision and keep a better watch on the office himself. Jane is an employee, not an owner.

MODEL ACTIVITY RESPONSES

Analysis of the cost structure of the Johnson Business.

Individual Activity

(c) Variable cost per dollar of sales: $ .60

(d) Break-even point (units): 500 units

(e) Profit (or loss) at $50,000 sales volume: $ -0-

(f) Profit at $80,000 sales volume: $ 18,000

(g) Profit at $100,000 sales volume: $ 20,000

(h) Profit at $120,000 sales volume: $ 28,000

Case Study

Answers to ratio problems numbered 1-6:

1. 2.3:1
2. 1:1
3. 8:1
4. 2.72:1
5. .5:1
6. 5

MODEL ACTIVITY RESPONSES

Individual Activity

1. Open-end credit
2. Closed-end credit
3. True
4. A. Finance
   B. Percentage
5. Spouse's
6. The credit information
7. Secured
8. Bailment lease
9. Repossess
10. Violence, obscene, times, places

Case Study

Check your letter to ensure that—

- your introduction explains the purpose of the letter;
- your introduction is friendly, courteous, and appeals to your desired audience;
- you explain the credit policies of the store in an understandable manner;
- you tactfully explain the problems resulting from late payments and poor credit ratings;
- you conclude the letter in a positive manner.

MODEL ACTIVITY RESPONSES

Case Study

(1) By not accepting checks, Jake may lose sales. Some people only pay by check or credit card. (2) Another employee, usually the assistant manager, needs to be issued a key. Emergencies may arise that could prevent Jake from opening or closing the business. (3) It is a very good idea to check references of new job applicants carefully. (4) Many vendors may be unable to arrive before opening hours. Also, this may be an especially busy time for Jake.

Jake is spending too much for protection devices. This will be a drain on profits, and mirrors may intimidate customers. An alarm system and electronic price tags would be sufficient.

MODEL
ASSESSMENT RESPONSES

Note to Instructor:

This section contains the questions and suggested answers to be used as an assessment of student competency at the completion of each module. These questions are the same as found at the end of each module.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What are the advantages of owning your own business?
2. What are the disadvantages of owning your own business?
3. Why may some time lapse be advantageous during the process of deciding whether or not to go into business for yourself?
4. How would you go about maximizing your own opportunities of owning your own successful small business?
5. How would you minimize the risks?
6. Describe Schumpeter's theory of the "closed circular flow" of economic activity.
7. How are real profit and new wealth created?
8. What major economic forces and government policies are most likely to affect your operation of a small business?
9. Describe the business activity carried out in a specific segment of industry.
10. What is the best way for determining the market need for your product or service?
11. Identify your product or service by describing what customer needs it will fulfill.
12. What personal strengths and weaknesses will you bring to the business?

MODEL ASSESSMENT RESPONSES

1. The answers should be very personally oriented and should cover personal, social, family, and career options.

2. Again the answers should be personally oriented and should cover all aspects of the student's life.

3. The lapse of time in decision making allows the subconscious mind time to consider the problem in the light of a lifetime of learning and acquiring habits, likes, dislikes, self-image, self-confidence, and so forth. The decision to go into business for yourself will affect every area of your life, including how you think about yourself and how you act. Taking time to allow the idea to sink in can make a difference in how you perceive the risk and opportunity.

4. This answer should offer concrete evidence that the student has chosen to concentrate on a specific business and that consideration and study have been given to the elements on Table 5.

5. The same response as question 4.

6. The theory of "closed circular flow" says that the buyers and sellers of goods are the same people and simply come full circle to trade bread for shoes. No real wealth is created, although some small increments of profit can be seen.

7. Real profit is created outside the closed circular flow by discovery of new resources, creation of new labor forces, or by a new combination of the existing labor and resources.

8. The macroeconomic forces that will affect every business include inflation and taxes, but specific industry segments may be more susceptible to government controls.

9. The student should thoroughly describe the product or service produced in the industry segment; the customer group(s); and the manufacturers, producers, or wholesalers who will supply the raw material needed to conduct the business. The equipment or method of operation regarding the specific industry segment that will affect the operation of the business should be determined by the student and at least listed for future consideration.

10. The best way of determining market need should not only begin with a study of the intended customer group as a whole. Some specific individuals in the group should also be profiled.

11. This answer should list product or service "benefits" as opposed to "features." It is a value judgement in some instances (such as "convenience") and a factual perception in others (such as describing an electric drill as a "hole maker").

12. This evaluation should be fairly well documented in that the student should present examples of why a particular quality is a strength, and whether experience, schooling, or a combination of both is needed to acquire the strength. Weaknesses should be considered in the light of whether an attempt to strengthen them should occur or whether outside expertise might be called upon to fulfill the role.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What are the three areas of skills needed to be a successful entrepreneur?

2. Describe how each of these skill areas are necessary to the business.

3. What are some of the blocks to creativity?

4. What's involved in decision making?

5. Assess your own potential and ability for being creative and making decisions. Give examples that would show that these skills could be used to effectively run a business.

6. From table 2 (single most important small business problems) select what you feel will be the top three problems for the business you would enter. Tell why they would be a problem and how you would solve the problems.

7. What does it take to run a successful business?

8. After you have answered the questions designed to help you decide what is needed to become a successful entrepreneur, evaluate your own potential in terms of whether or not you have the necessary qualifications, can get the necessary qualifications, or should let some outside expert handle that particular area. Make a summary analysis of whether or not you're ready now and when you might be ready to become an entrepreneur.

9. List some of the pitfalls that can cause small businesses to fail.

10. From your evaluation in question eight, determine which potential pitfalls you have already dealt with and tell how you will avoid them.

11. Where might you go for help in starting your own business or for solving particular problems or answering specific questions about running your own business?

MODEL ASSESSMENT RESPONSES

1. The three areas of skills are affective, cognitive, and manipulative.

2. Affective skills are needed for maintaining links with the marketplace and will be especially needed in marketing, promotion, and growth.

   Cognitive skills are needed for decision making, organizing, problem solving, and gaining technical knowledge.

   Manipulative skills will be needed to perform the activity with skill and ability—traits that will also be needed to sell the product.

3. Some of the blocks to creativity are: cultural upbringing, environmental blocks, fixation, perception, habit, and problem-solving language.

4. Decision making is a cognitive process that involves: identifying, clarifying, and defining the problem or situation; collecting information on alternatives; evaluating the alternatives and selecting the best one.

5. The student's response should be concrete—with examples that show experience, knowledge, or a plan to gather experience and/or knowledge in creativity and decision making.

6. The single most important problem will vary from student to student depending on the selection of business opportunity as well as the personal qualifications of the students themselves. If the student is anticipating a high-technology industry small business, for example, the biggest single problem might be the shortage of quality labor available.

7. To run a successful business an entrepreneur must: recognize personal limitations; keep accurate, up-to-date records; do not drift into decisions; exercise caution in the amount of money taken out for personal use.

8. From the student handout, where the students personally evaluated what is needed to start a business, the students should be able to report in what areas they feel qualified right now; in what areas they believe they can pick-up the necessary knowledge or experience; and in what areas they feel they need outside expert help. It should be a specific report that could be used as an action plan for the next step in starting a business.

9. Some of the pitfalls that cause small businesses to fail are: slow sales, heavy operating expenses, inventory problems, poor location, lack of experience, lack of good recordkeeping. The student may come up with some other reasons that a business might fail, and this kind of thinking should be encouraged and accepted.

10. If the student has done a thorough job of evaluating his or her own potential for starting a business and decided what skills he or she has or can get, then the answers to this question will come in the form of a repeat of the summary given in response to question eight. The point of analyzing the areas of the business is to foresee and plan to avoid pitfalls.

11. The answers should include sources such as: Small Business Administration, trade associations, other business people; general answers like the library or statistics will not be truly helpful to the student unless he or she also knows what to look for in the library or what to do with the statistics once he or she has them.

ASSESSMENT Directions: On a separate piece of paper, number from 1-20.

A. Select the best answer for each of the statements below. Write the appropriate letter beside the number on your paper.

1. The "Financial Data" located near the back of the Business Plan include—

   a. detailed financial reports.
   b. information describing your record keeping system.
   c. income tax back-up materials.

2. The Business Plan should be—

   a. written in formal business language.
   b. written in conversational language.
   c. developed in chart and graph form.

3. The "Summary" in a Business Plan—

   a. includes a financial report explaining each expenditure.
   b. provides an organization chart for the business.
   c. contains two or three brief paragraphs.

4. A Business Plan is—

   a. a profitable business idea.
   b. a procedure for transferring business data into a report.
   c. a proposal describing a business opportunity.

5. The "Statement of Purpose" in a Business Plan—

   a. is a means of convincing lenders or investors that your business idea deserves attention.
   b. identifies the business opportunity and the reasons why financing is needed.
   c. tells the reader how you expect to apply the loan or investment in your business.

6. The physical appearance of your Business Plan provides—

   a. the reader with a first impression of you.
   b. the opportunity for you to show originality.
   c. the opportunity to distract the reader from errors in the Plan.

7. A loose-leaf notebook is useful to the would-be entrepreneur for—

   a. classifying topics and subtopics.
   b. setting up a recordkeeping system for the business.
   c. filing materials collected in preparation for entrepreneurship.

8. The "blueprint" for developing a finished Business Plan is called a—

   a. Business Plan Outline.
   b. System for analyzing data.
   c. loose-leaf notebook.

B. Complete the following statements next to numbers 9-20 on your paper.

A Business Plan helps the entrepreneur in three ways:

9. _____
10. _____
11. _____

The four major sections of the Business Plan are:

12. _____
13. _____
14. _____
15. _____

16. The section of the Business Plan that explains how you expect to apply the loan or investment in your business is called the _____.

17. The section of the Business Plan that introduces the reader to the business and its product or service is called the _____.

18. Management of the new business is discussed in the _____ section of the Business Plan.

19. Potential customers and competitors are discussed in the _____ section of the Business Plan.

20. You should recognize that you will need to _____ your Plan several times before presenting it to a prospective lender or investor.

MODEL ASSESSMENT RESPONSES

Multiple Choice

1. (a) The financial reports are too detailed to go in the body of the Plan. Therefore, they are included in a special section at the back.

2. (b) The Plan will be best understood if it is written in conversational language.

3. (c) The summary contains two or three short paragraphs to remind the reader of the important information contained in the four major sections.

4. (c) The definition of a Business Plan is: a proposal describing a business opportunity for prospective lenders and investors.

5. (b) The "Statement of Purpose" is the first thing in the Business Plan. It identifies the business opportunity and the reasons why financing is needed.

6. (a) The reader's first impression of you is formed by the appearance of the Business Plan.

7. (c) The materials that students have been developing in the other PACE units should have been filed in a loose-leaf notebook for use in preparing the Business Plan.

8. (a) The Business Plan Outline provides a "blueprint" for developing the finished Business Plan.

Completion

9. to obtain financing

   The Business Plan provides a description of the business opportunity for prospective lenders and/or investors to read. It serves as a means for the entrepreneur to obtain financing.

10. as a guide for opening

    The detailed Business Plan includes every task that needs to be performed to open the business.

11. as a management guide

    Because the Business Plan is developed for a three-year period, it will serve as a guide for the manager during the opening years.

12. I Description of the Business

13. II Marketing Plan

14. III Organization Plan

15. IV Financial Plan

16. Financial Plan

    The application and expected effect of financing is in Section IV of the Financial Plan.

17. Description of the Business

    The introduction to the business and its products or services is in Section I—Description of the Business.

18. Organization Plan

    Section III—Organization Plan—discusses management duties and qualifications.

19. Marketing Plan

    Section II—Marketing Plan—is concerned with identifying prospective customers and analyzing the competition.

20. revise

    Developers of Business Plans—as do all report writers—should recognize that several drafts are required before the Plan is in good enough shape to be read by prospective investors.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Tell in your own words what you as an entrepreneur will be doing when you prepare for securing technical assistance by—

   - defining the problem,
   - identifying expected benefits,
   - analyzing cost effectiveness,
   - considering personal constraints,
   - considering options available.

2. Why are community advisers not able to devote extended periods of time to individual business problems?

3. Discuss each of the following types of professional service as a source of technical assistance for small entrepreneurs:

   - Attorneys
   - Accountants
   - General management consultants

4. Explain what steps you should take to carry out the following procedures as you select professional consultants.

   - Setting up a technical assistance file
   - Identifying requirements
   - Searching for possible consultants
   - Establishing criteria for selection

5. What agreements do you need to reach with consultants before a contract is signed? Decide what should go in the blanks and write your answers on a separate piece of paper.

   a. Agree on the scope of _____ and the expected _____.
   b. Agree on methods of _____.
   c. Agree on schedules and guidelines for conducting _____ so that they don't interfere with business.
   d. Agree on and schedule for _____.
   e. Agree on _____ and _____ procedure.

MODEL ASSESSMENT RESPONSES

1. a. Define the problem.
   State specifically what the problem is before seeking help.

   b. Identify expected benefits.
   Determine in advance how the solution of the problem will help the business.

   c. Analyze cost-effectiveness.
   Estimate costs in terms of money and executive time. Estimate whether these costs will be offset by the possible benefits to be gained.

   d. Consider personal constraints.
   Be sure that you can budget the time to take advantage of the advice you will get from outside sources.

   e. Consider options available.
   Determine how much help you can secure from community advisers and how much you can get from professional services.

2. Community advisers are not always able to devote extended periods of time to individual problems because they have other responsibilities in their firms and other clients who also need the benefit of their advice.

3. a. Attorneys are necessary for small businesses. They provide assistance for all legal aspects of the business and are the most important source (with accountants) of outside assistance.

   b. Accountants are necessary for small businesses. They provide expert advice on recordkeeping, financial management, and general administrative affairs. Along with lawyers, they are the most important source of outside assistance.

   c. General management consultants provide technical assistance for almost all entrepreneurial problems. They may be needed from time to time even though the firm employs the services of a good lawyer and a good accountant.

4. a. Set up a technical assistance file. This should be a card file including a card for every management weakness. The card for each weakness should include the name and relevant information about a source of technical assistance to help overcome the weakness.

   b. Identify requirements. A written statement of the problem and the scope of the task you expect a consultant to perform will prevent misunderstandings between you and the consultant. It will also help you be clear about your goals.

   c. Search out possible consultants. Consult the "Technical Assistance File" and community advisers to find the technical assistants you need.

   d. Establish criteria for selection. Be sure the consultant possesses the necessary overall competency and the specific expertise and is experienced in working with small businesses.

5. a. Agree on the scope of *the task* and the expected *outcome*. This statement refers to the process of defining the company's problem for the consultant.

   b. Agree on methods of *working*. This statement is a reminder that scheduling consultation interviews and analyzing company documents should be considered and settled before the contract is signed.

   c. Agree on schedules and broad patterns for conducting activities so that they don't interfere with business. The consultant and entrepreneur need to consider possible interruptions to business and agree to them before the contract is signed.

   d. Agree on *pay* and schedule for *payments*. The fee arrangement and schedule of payments should be part of the contract.

   e. Agree on *reporting* and *implementation* procedures. The consultant and the entrepreneur have their own advance ideas for each of these two phases of the project. They should be discussed and agreement should be reached before the contract is signed.

ASSESSMENT Directions: Read the following questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. List the items you would consider in an Articles of Copartnership for your business if you were seeking to start a partnership.
2. Explain the essentials of a Certificate of Incorporation.
3. List the responsibilities of the members of a cooperative.

MODEL ASSESSMENT RESPONSES

1. In your responses you should have considered the following:

   - The date of the agreement.
   - The names and addresses of all the partners.
   - The nature of business.
   - The duration of the partnership.
   - The managerial duties of each general partner.
   - The specification of each type of limited partner (whether silent, dormant, secret, or nominal partner).
   - The fee to be paid any nominal partner.
   - The amount of investment by each partner.
   - How profits and losses will be shared.
   - Accounting procedures to be used.
   - Salary or drawing account arrangements for each partner.
   - Restraints on each partner, if any.
   - How the partnership will be terminated.

2. In your response you should have indicated the following:

   - The specific name of the corporation (which, in the U.S., includes the abbreviation "Inc."). The name cannot be the same as one already in use when the charter is issued.
   - The specific purpose of the corporation.
   - The names and addresses of the directors and incorporators. Depending on the state, one to five incorporators must reside in the state in which the application is made.
   - The location of the company's main office.
   - The duration of the corporation.
   - The amount and kinds of capital stock issues at the outset of the operations.
   - A full description of the voting rights of the stockholders.

3. Members of a cooperative must assume certain responsibilities if the cooperative is to be successful. Members have to—

   - make use of the cooperative;
   - work to keep other members satisfied with the cooperative;
   - attend meetings and prepare corrective action needing membership consideration;
   - abide by membership agreement contract.

   As a member of a cooperative, you must "cooperate" with the other members to make the organization work for everyone. Like a partnership or corporation, you own a share of the business.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask you instructor to assess your competency.

1. Develop a formula for computing market value and describe its value to a business person.
2. Define each of the major goods classifications.
3. Describe each of the stages in a product life cycle.
4. List the types of information needed to evaluate the effectiveness and efficiency of a marketing strategy.

MODEL ASSESSMENT RESPONSES

1. Number of people times average value of available resources times percent of resources devoted to the identified needs. This tool helps the business person determine the total dollars invested in a specific market that must be divided among competing firms.

2. Convenience goods—products that customers find very similar to other products and of relatively low value. Thus they will invest little time and resources in shopping for the product.

   Shopping goods—products with a higher relative value and important differences. Customers are more willing to shop and compare for the best purchase.

   Specialty goods—products that customers view as unique and highly satisfying. They will search until they find this product.

   Unsought goods—goods that customers are unaware of or don't want.

3. Introduction—A stage characterized by a new product, little direct competition, extensive investment, and low financial returns.

   Growth—A stage characterized by increasing competition and product differentiation. Sales and profits increase rapidly.

   Maturity—In this stage, sales may grow but profits decline because of increasing costs and intense competition.

   Decline—Sales and profits decline as new products replace older, outdated products.

4. Sales
   Costs
   Performance of personnel
   Attitudes of customers

ASSESSMENT

Directions: Read the following assessment items. Answer each item to check your understanding of the topics presented in the unit. When you have completed the items, ask your instructor to check your answers.

1. List and explain at least two factors that demonstrate the importance of business location.
2. Explain the three general factors to be reviewed when initiating a feasibility study of business locations.
3. Describe the differences in evaluating locations for retail and service firms, wholesaling firms, and manufacturing firms.
4. Compare and contrast the five types of business locations.
5. Describe a six-step process for conducting a business location feasibility study.
6. Name at least five sources of information and assistance for business site evaluation.

MODEL ASSESSMENT RESPONSES

1. Business location is important because it has been identified as a major factor contributing to the success of small business firms. The location of a business is very important in attracting customers. The proper location will also aid the business owner in efficiently serving customers.

2. Economics, population, and competition are three factors to consider when initiating a feasibility study. Economics is concerned with the number and type of industries in the area. Sources of income and employment other than industry should also be identified. Population of the area is concerned with the number and age levels of individuals. The residential areas of the town or city and income levels are additional concerns. Competition refers to businesses selling similar or substitute products. Of primary concern are the number and location of competitors. The quality of management should be studied to determine the progressiveness of the competition.

3. Evaluating sites for retail and service firms is centered on locating near customers. The specific site selected within an area is very important to the success of the business. Customers should pass by the business site in large numbers. Wholesale and manufacturing firms are primarily concerned with identifying a site within the correct general area. Access to suitable physical facilities and adequate transportation systems are of high importance.

4. Common to all business locations is a customer orientation. All business firms must locate where they can best serve their customers and potential customers. A second item common to all locations is a concern with the compatibility of neighbors. Compatible neighbors in these business clusters act to increase the drawing power of these locations.

   Central shopping districts and neighborhood shopping areas are unplanned business clusters whereas shopping centers and industrial parks are planned clusters. Central shopping districts, neighborhood shopping areas, and shopping centers are most suited to retail and service firms. Industrial parks are planned for wholesalers and manufacturers.

5. The steps in conducting a feasibility study include: (1) select a general area of consideration, (2) survey several areas within a state, (3) establish site selection criteria, (4) analyze the need to build or renovate, (5) analyze the need to lease, and (6) review the analyses and decide.

6. Sources of information and assistance in locating a business include the following:

   a. Small Business Administration
   b. Chambers of commerce
   c. Trade associations
   d. Planning commissions
   e. Other businesses
   f. Bankers
   g. Consultants
   h. Colleges

ASSESSMENT

Directions: Read the following questions concerning financing the business. They are for you to check your knowledge about this topic. When you feel ready, ask you instructor to assess your knowledge of them.

1. Describe the sources of information available to use in estimating the financing necessary to start a new business.

2. Explain the steps involved in determining the financing needed to start a new business.

3. Explain the steps involved in preparing both a projected profit-and-loss statement and a projected cash flow statement.

4. Describe the five basic parts (and their contents) in a loan application package.

MODEL ASSESSMENT RESPONSES

1. The sources of information available to use in estimating the financing necessary to start a new business are as follows:

   Small Business Administration (SBA)
   Dun & Bradstreet
   The Bank of America
   Robert Morris Associates
   National Cash Register
   Colleges and universities
   Trade associations
   Chambers of commerce
   Minority economic and business development centers, etc.

2. The steps involved in determining the financing needed to start a new business are as follows:

   Step 1—Estimating annual sales volume
   Step 2—Estimating start-up costs
   Step 3—Calculating monthly operating expenses
   Step 4—Figuring personal living expenses
   Step 5—Adding the start-up, operating, and personal living expenses

3. The steps involved in preparing a projected profit-and-loss statement are as follows:

   Step 1—List your estimated gross sales on a monthly basis.
   Step 2—List the costs of the merchandise (or service) you estimate will be sold monthly.
   Step 3—Subtract the costs of the merchandise (or service) from your estimated gross sales. The resulting figure is your gross margin or profit.
   Step 4—Itemize the monthly operating expenses.
   Step 5—Total the monthly operating expenses.
   Step 6—Subtract the monthly operating expenses from the gross margin or profit. The resulting figure is the net profit or loss for the month.

   The steps involved in preparing a projected cash flow statement are as follows:

   Step 1—Add together any cash on hand and loans you have to determine the total amount of cash you have to start the business.
   Step 2—Subtract the start-up costs to project the actual amount of cash left over to start the business.
   Step 3—For each month of the first year of operation, plug in the estimated profit or loss that you have previously determined.
   Step 4—Determine other cash expenditures or disbursements and list them.
   Step 5—Total the disbursements.
   Step 6—Subtract the total disbursements from the cash received during each month. This is the net cash flow.
   Step 7—Add the net cash flow to the cumulative cash flow, which is the total amount of cash left over from the previous months. This gives you the total amount of cash you have accumulated.

4. The five basic parts (and their contents) in a loan application package are as follows:

Loan Application Package Outline

I. Basic Application Information

- A. Applicant's name, address, and telephone number
- B. Business name, address, and telephone number
- C. Type of business
- D. Size of business
- E. Type of ownership
- F. Applicant's financial contribution to business

II. Loan Request

- A. Purpose of loan
- B. Amount
- C. Terms, including desired interest rate
- D. Debt/equity ratio
- E. Collateral
- F. Specific use of money borrowed

III. Applicant's Personal Information

- A. Resume, including education, work experience, and business background
- B. Credit references
- C. Personal balance sheet
- D. Past two to three years' income tax statements

IV. Business Information

- A. Business plan
- B. Life and casualty insurance coverage
- C. Business licenses or permits
- D. Lease/facilities agreement
- E. Other supporting information

V. Financial Projections

- A. Projected monthly profit-and-loss statement for at least one year
- B. Projected cash flow statement for at least one year
- C. Some lenders may also ask for a projected balance sheet for the first year

ASSESSMENT

Directions. Read the following questions concerning dealing with legal issues. They are to help you check your knowledge about this topic. When you feel ready, ask your instructor to assess your knowledge of them.

1. Where can the small business owner find information regarding potential sources of legal problems?

2. What techniques can be used to reduce legal problems?

3. How can a small business person obtain assistance with legal problems?

4. Where can you go to find information on patents and trademarks? On copyrights? What kinds of protection do these registrations give the small business owner?

MODEL ASSESSMENT RESPONSES

1. From trade journals with articles on major legal changes that affect the industry, and from checking with a lawyer.

2. The following techniques will reduce legal problems:

   - Manage the firm with discipline and careful decision making.
   - Gain a basic understanding of statutes and regulations that affect the firm.
   - Call upon legal council or appropriate nonlegal advisers as necessary.

3. Obtain assistance with legal problems by selecting an attorney. Also, use nonlegal advisers, such as accountants, bankers, insurance advisers, advertising or trade association staff members, real estate agents, management consultants, or business friends to obtain information that will assist you in making legal decisions.

4. For information on patents and trademarks, the small business owner/manager must contact the Commissioner of Patents at the U.S. Department of Commerce in Washington, D.C. Trademark information is also available from some state departments of commerce. Copyright information is available through the Copyright Office of the Library of Congress. Patents and trademarks protect the holder's ideas or products against duplication or unauthorized use by others. Small business owners/managers may also want to use copyrights to protect their advertisements, catalogs, brochures, and other informational material.

ASSESSMENT

Directions: Read the following items to check your knowledge of the topics presented in the PACE unit. When you feel ready, ask your instructor to check your skills.

1. List and explain three reasons why government regulations are important to small business.

2. What specific responsibilities do the following federal agencies meet?

   - Federal Trade Commission
   - Equal Employment Opportunity Commisssion
   - Occupational Safety and Health Administration
   - Environmental Protection Agency

3. What steps can be taken by the owner of a small business to comply with government regulations in the four areas presented in the unit?

4. List at least three taxes at the federal, state, and local levels that will affect small business operations.

5. What specific steps can the owner of a small business take to comply with the regulations concerning business taxes?

MODEL ASSESSMENT RESPONSES

1. Purpose of regulations: Regulations are passed to protect and promote a healthy society and strong business community.

   Source of regulations: Government at all levels passes regulations. The federal government is responsible for regulating business between the states. States, counties, and cities are responsible for business activity within their respective boundaries.

   Impact on small business: Some regulations are designed to protect the small business. However, the most evident impact is an increased cost and paperwork burden.

2. Federal Trade Commission: The FTC is primarily concerned with unfair competition, deceptive consumer practices, and the formation of monopolies.

   Equal Employment Opportunity Commission: The EEOC is concerned with preventing and investigating discrimination in employment on the basis of race, color, religion, sex, and national origin.

   Occupational Safety and Health Administration: OSHA administers programs concerning the safety and health of workers. OSHA conducts inspections and can assess penalties.

   Environmental Protection Agency: The EPA controls the industrial use of toxic substances, solid wastes, and pesticides. It is responsible for maintaining clean air and water standards.

3. Protection of competition: Establish an antitrust compliance program by (1) developing a company policy concerning antitrust practices, (2) establishing a company training program, (3) establishing company procedures to implement the policies, (4) developing a documentation system, and (5) performing periodic management audits.

   Protection of employees: Establish an affirmative action program by (1) developing a written equal employment and affirmative action policy, (2) designating an individual to direct the program, (3) publishing your policy, (4) reviewing your employment system, and (5) developing programs to enhance equal employment and affirmative action.

   Protection of consumers: Company policies should be developed and reviewed in the areas of product safety, consumer credit, and warranties.

   Protection of the environment: Again, the establishment of company policies and programs encourages compliance with regulations. A business owner should determine what obligations exist under these regulations for the particular business in question. This determination should then be used in deciding the extent of the program to be developed.

4. Federal taxes: Corporate and individual income, excise, employment, social security, and customs.

   State taxes: Corporate and individual income, gross receipts and sales, capital stock, incorporation, and employment.

   Local taxes: Sales, income, property, and licenses.

5. Basic steps necessary to comply with tax regulations include (1) know your tax liability, (2) set aside funds to pay taxes, (3) pay taxes on time, and (4) get expert advice.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Explain why decision making is integral to all management functions.
2. Explain what master planning involves. Provide examples of items that are included on a master plan.
3. Discuss the difference between line organizations and line and staff organizations.
4. Identify two elements of effective directing.
5. Identify three basic activities of the control process.

MODEL ASSESSMENT RESPONSES

1. Because decision making is an integral part of all the management functions, a business run by someone who cannot make effective, timely decisions is doomed to failure. To become expert decision makers, entrepreneurs should strengthen abilities to recognize problems and surround themselves with people/techniques to help solve problems.

2. A master plan that involves establishing the firm's major long-term goals or objectives is a comprehensive plan. All other plans are formulated to achieve goals set in master plans. A master plan includes information on such items as finance, personnel, public relations, advertising, legal issues, and sales, to name a few.

3. The basic difference between line organizations and line and staff organizations is that line and staff organizations include advisors whose purpose is to give assistance and advice. They have no authority over other employees.

4. Two elements of effective directing include communication and motivation.

5. Three basic activities of the control process include (1) establishing standards, (2) comparing performance against these standards, and (3) taking corrective action, if it's needed.

ASSESSMENT

Directions: Read the following questions to check your own knowledge of these topics. When you feel ready, ask your instructor to test you on your knowledge of them.

1. Do a job analysis for your job, one position you supervise, or one you know well. Include the following:
   - Indicate which tasks are critical.
   - Indicate the percentage of time spent on each of the tasks.
   - Write a job description for the position.
   - List five important skills or abilities you would want to see in a person you are hiring for this position.
2. Plan a training program to teach a new employee how to perform one of the jobs you supervise.
3. Cite the reasons why written personnel policies are important. What policies would you include in your company handbook for employees?
4. Plan an employee evaluation interview for one position you supervise.
5. List the steps in a corrective interview.

MODEL ASSESSMENT RESPONSES

1. Answers will vary with the job chosen. Be sure that each of the items listed for inclusion is covered in the answer.

2. The plan for a training program should include the following:

   - Identification of the need; definition of the problem
   - Choice of a time, a place, and a person to do the training
   - An outline of instruction with scheduled times for specific topics
   - An evaluation method
   - A strategy for follow-up

3. Written personnel policies are important because they ensure that each employee has the same information. Written policies are easier to enforce than off-the-record policies. A handbook of policies is useful in the orientation of a new employee.

   Policies to be included in such a handbook are those that cover the following:

   - Working hours
   - Persons responsible for personnel administration
   - Statement of nondiscrimination
   - Reporting to work
   - Rest periods
   - Absence from work
   - Employment records
   - Evaluation of performance
   - Pay periods
   - Shift premiums
   - Safety and accident prevention
   - Use of the telephone
   - How to make suggestions/complaints

   Company benefits may also be covered as well as other types of policies.

4. The plan for an employee evaluation interview should include the following:

   - A scheduled time
   - A task list review
   - Feedback on the employee's performance
   - Expectations for the future

5. The steps in a corrective interview are as follows:

   a. Schedule a meeting.
   b. Explain what you observed and why it concerns you.
   c. Listen to the employee's explanation.
   d. React to the explanation.
   e. Discuss what needs to change.
   f. Schedule a follow-up meeting.
   g. Make notes.
   h. Have a follow-up meeting.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Describe the relationship between a marketing plan and a promotional plan.

2. List the steps (in correct order) to be completed in developing a promotional plan

3. Discuss the value of planning promotional activities for a long time period (six months to one year).

4. Describe the components of effective advertisements in the following media:

   - Newspapers
   - Radio
   - Outdoor advertising
   - Direct mail advertising

5. Develop three promotional objectives and describe how each objective would be evaluated.

6. Justify the value of analyzing competitors' promotional activities.

7. For each promotional method (advertising, sales promotion, and public relations), identify the type of short-term problem that could best be solved by that method.

MODEL ASSESSMENT RESPONSES

1. A marketing plan is broad and establishes the relationship between promotion and other marketing activities. A promotional plan is very specific and outlines all promotional decisions. The marketing plan is prepared before the promotional plan.

2. Steps in developing a promotional plan:

   a. Develop the marketing plan (contains many specific steps)
   b. Develop promotional objectives
   c. Identify information to be communicated
   d. Identify promotional methods
   e. Select promotional media
   f. Identify preparation requirements for each media
   g. Develop a promotional schedule
   h. Plan a promotional budget
   i. Identify evaluation methods

3. Short-term planning often misuses promotion. Long-term planning allows promotion to be planned with other marketing activities so that it supports major marketing objectives.

4. Effective newspaper ads contain components:

   - Headlines that attract attention, arouse interest, and are directed to the reader
   - Illustrations that appeal to human interest
   - Copy that is written in easy to understand language and contains all facts about the product that are necessary (benefits, styles, sizes, colors, price, and so on)
   - A clearly defined business logotype

5. Sample promotional objectives are included in the unit. They should contain an identified audience, action to be taken, and a standard for evaluation. Each objective should be evaluated using the standard.

6. The analysis will identify the information that competitors want to communicate to consumers. Such an analysis is an effective way of determining the strengths, weaknesses, and marketing objectives of competitors.

7. Advertising—this provides information to large groups of people. The information cannot be very complicated if advertising is used.

   Sales promotion—this tool should be used if consumers need a special incentive to purchase.

   Public relations—this is not an effective short-term method, but can deal with image problems of the firm.

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify factors that you should examine in sales merchandising.
2. What is merchandise planning?
3. Identify five benefits realized from a training plan.
4. Identify three basic ways in which the owner of a small business can motivate salespeople.

MODEL ASSESSMENT RESPONSES

1. The student should examine the following factors:
   - Past sales
   - General business conditions
   - Competition
   - Current buying trends
   - Changes in operations or policies
2. Merchandise planning is a program that has definite goals for different facets of the buying and selling activity.
3. The response should have identified some of the following benefits:
   - Helps the employees develop more effective job skills
   - Aids employees in developing good work habits
   - Builds respect for the business, job, merchandise, and potential customers
   - Lessens the need for close supervision
   - Increases profits by increasing employee productivity
   - Aids in minimizing employee turnover
   - Improves service to customers
   - Increases customer satisfaction
4. There are three basic ways in which salespeople can be motivated. These are—
   - personal supervision,
   - nonfinancial incentives,
   - financial incentives.

ASSESSMENT

Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Describe double-entry bookkeeping.
2. Name the recordkeeping devices that you will use in your business.
3. Several types of recordkeeping needs are described below. Identify the nature of the record that will meet each need in a small business situation.
   - A system that will allow you to classify your sales transactions by department or merchandise line, salesperson, taxable versus nontaxable items, and cash versus charge sales.
   - These records are needed to document the cash taken in each day. They are a combination of a days cash sales plus payment for prior sales (charges), deposits on future sales (lay-away or special orders), and any miscellaneous income.
   - For each customer to whom you extend credit you should keep a separate record on which you post each charge and payment transaction, along with the date and a running balance due.
   - These records refer to each account that sells to you on credit.
   - These records show the weekly hours worked, gross pay, deductions for state and federal income taxes, FICA withholdings, and net pay to each employee.
   - Depending on the type of business, you will need some type of control system to keep track of your merchandise and equipment. Keep in mind that the cost of maintaining the system should not outweigh the potential for loss.
   - This record provides a monthly listing of deposits, checks cashed, and the remaining balance of your bank account. It should be compared with your records to detect errors or to record bank charges and to locate any "lost" or "misplaced" checks.
   - In most businesses, the owner will have occasional small disbursements that are simply paid in cash rather than by writing a check. This account is needed to cover these expenses.
4. A small business owner/manager has several options with regard to who can keep the business records,as well as how they are maintained. Identify the option that you plan to use in your business and explain why you choose it.

5. List the recordkeeping functions that might be performed via a microcomputer.
6. Identify the factors that you will use to evaluate your business records.

MODEL ASSESSMENT RESPONSES

1. Double-entry is a bookkeeping system utilizing debit and credit entries for all transactions. A decrease or increase in one account must be matched by an offsetting increase or decrease in another account allowing for an absolute accuracy check.

2. (Responses to this item may vary. However, the following would be appropriate. In addition, other responses would be acceptable.)

   a. journals or books of original entry
   b. ledgers or books of various accounts
   c. inventory records
   d. budget systems

3. a. sales records
   b. cash receipt records
   c. accounts receivable
   d. accounts payable
   e. payroll records or employee compensation records
   f. inventory control records
   g. bank account reconciliation statement
   h. petty cash fund

4. (Responses to this item will vary.)

   A small business owner/manager has several options with regard to who can keep the business records. They include: (1) keeping the records personally, (2) training an employee to maintain all or parts of the recordkeeping system, (3) hiring a freelance bookkeeper, (4) employing an accountant, (5) engaging the services of a public accounting firm, or (6) some other option.

5. The following functions can be performed via the minicomputer: inventory control, general ledger accounting, accounts payable, accounts receivable, and payroll. In addition, budgetary control, business forecasting, and financial ratio analysis can be performed via the computer. Computer programs are being developed for data file management and word processing.

6. (Responses to this item will vary.)

   In evaluating your business records you will want to assure that they provide for internal control, control of sales, accounts receivable, expenses, accounts payable, plus payroll and payroll liabilities.

ASSESSMENT

Directions: Read the following assessment questions. When you feel that you are prepared to respond to them, ask your instructor to assess your competence:

1. List four requirements for successful financial management.
2. List four ways of achieving financial control by recording cash receipts.
3. List procedures that can be used to compute cash flow patterns during the year.
4. Identify and explain four signs of cash flow problems.
5. Give three examples of long-range cash flow needs.
6. Identify what an owner's equity financial statement reports.
7. List four key ratios used to analyze financial statements.
8. What do the following financial ratios indicate?
   a. Current ratio
   b. Acid-test ratio
   c. Debt-to-net-worth ratio
   d. Net-sales-to-working-capital ratio
   e. Net-income-to-net-sales ratio
   f. Operating expense ratios
9. Describe the formula for computing a break-even point.
10. Identify three marketing questions that can be answered from a break-even computation.
11. Identify four applications of microcomputers for financial analysis and management.

MODEL ASSESSMENT RESPONSES

1. The requirements for success in financial management include (a) proper balance and investment in assets, (b) accurate determination of cash flow needs, (c) sound management of short- and long-term debts, and (d) an appraisal of rates of return on investment.

2. Four ways of keeping track of cash by recording cash receipts are (a) keep personal cash separate from cash generated by the business, (b) keep a record of all incoming cash, (c) use a bank account for all business funds, and (d) deposit each day's cash on a daily basis.

3. Cash flow patterns may be computed by using a monthly and yearly cash budget. Add to the beginning monthly cash balance estimates of income expected. Subtract estimates of expenses for the month.

4. Four trouble spots indicating cash flow problems are (a) expenses are greater than gross profits, (b) inadequate cash at the start of the month, (c) overexpansion of business without new capital, and (d) excessively high accounts receivable.

5. Examples of long-range cash flow needs are (a) assets which will need replacing, (b) additional assets needed to meet competition, and (c) remodeling or expansion costs.

6. The owner's equity financial statement reports on the owner's change in net worth, funds invested, and withdrawals or salary.

7. Four kev business ratios are (a) current ratio, (b) acid-test ratio, (c) debt-to-net-worth ratio, and (d) net-sales-to-working-capital ratio.

8. These financial ratios indicate the following information:

a. Current ratio	Whether the firm has enough current assets to meet its debts.
b. Acid-test ratio	Measures the debt payment ability of a business at any one time.
c. Debt-to-net-worth ratio	Indicates whether all debts can be paid by the present net worth.
d. Net-sales-to-working-capital ratio	Measures how many dollars of sales the business makes for every dollar in working capital.
e. Net-income-to-net-sales ratio	Shows how much income is derived from every dollar of sales.
f. Operating expense ratios	Indicate the ratio of any specific expense for the amount of net sales.

9. $$\text{BREAK-EVEN POINT} = \frac{\text{TOTAL FIXED COSTS}}{\underset{\text{(PER UNIT)}}{\text{SELLING PRICE}} - \underset{\text{(PER UNIT)}}{\text{VARIABLE COST}}}$$

10. Which items are most profitable?
    Which items are least profitable?
    Have any items passed their popularity peaks?
    How many units of a new product must be sold before it begins to bring in a profit?

11. Financial analysis
    Financial management
    Productivity
    Payroll
    Investments
    Inventory control
    Ratio analysis

ASSESSMENT

Directions: Review the following statements to check your own knowledge of these topics. When you feel prepared, ask your instructor to check your competency on them.

1. Distinguish two major differences between open-end and closed-end credit plans.
2. Identify four points of information that must be disclosed in open-end credit advertisements.
3. Identify four points of information that must be disclosed in closed-end advertisements.
4. Explain the major purpose of Regulation Z of the Truth-in-Lending Act.
5. Identify the two points that a creditor must disclose to the debtor before completing the credit transaction.
6. Identify an injustice that was intended to be remedied by the Equal Credit Opportunity Act.
7. Identify what the Fair Credit Reporting Act requires the credit reporting agency to provide to customers.
8. List three legal security devices that may be used by a seller.
9. Identify four illegal collection practices.
10. Discuss three characteristics of an effective series of collection letters.
11. Identify three examples of effective telephone collection techniques.
12. Identify four factors upon which to base credit and collection policies.
13. Identify six different possible credit promotion strategies.
14. Identify four credit information resources and systems.

MODEL ASSESSMENT RESPONSES

1. An open-end credit plan allows a customer to keep adding to the amount owed as long as monthly payments are made. Interest is computed on the amount owed each month. Closed-end credit fixes the amount of credit allowed. The total interest owed is predetermined.

2. Open-end credit advertisements must disclose (a) the time period within which a customer must pay to avoid finance charges; (b) the method of computing the balance on which the finance charge is based; (c) the method of computing the amount of the finance charge, including any minimum charge; and (d) the annual percentage charge.

3. Closed-end credit advertisements must disclose (a) the cash price; (b) the amount of down payment required; (c) the number of payments, the amount of each payment, and due dates or period between payments; and (d) the annual percentage rate.

4. The major purpose of Regulation Z of the Truth-in-Lending Act is to let borrowers and consumers know the exact cost of obtaining credit.

5. A creditor must disclose to the debtor (a) the finance charge and (b) the annual percentage rate.

6. Under the Equal Credit Opportunity Act creditors cannot discriminate against any person on the basis of sex or marital status.

7. The Fair Credit Reporting Act requires that the credit reporting agency must inform the individual of the nature of the information on file.

8. Three legal security devices that a seller may use are (a) conditional sale, (b) chattel mortgage, and (c) bailment lease.

9. Four illegal collection practices are (a) using collection forms, letters, or questionnaires without informing the customer of their purpose; (b) threatening customers with violence; (c) using obscene language; or (d) contacting customers by telephone at inconvenient times or places.

10. A series of collection letters should be (a) positive, (b) progressively firmer in tone, and (c) sent over a sequenced period of time.

11. Telephone collection techniques should (a) avoid questions that can be answered by "yes" or "no," (b) inform the customer that you are totally aware of the situation, and (c) be flexible (based upon the individual customer).

12. Four factors upon which to base credit and collection policies are (a) the profit margin on the merchandise, (b) the line of business and its customers, (c) the policies of competitors, and (d) the phase of the business cycle.

13. Six different credit promotion prospects are (a) the firm's cash customers, (b) new residents in the community, (c) newly married couples, (d) customers who use budget accounts, (e) people who cash payroll checks, and (f) COD customers.

14. Four credit information resources and systems are (a) suppliers' credit departments, (b) banks, (c) credit bureaus, and (d) mercantile credit agencies.

ASSESSMENT

Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Name the two major elements of any protection plan for your business.
2. Explain the purpose of establishing policies and procedures.
3. Identify the factors that determine how much insurance will cost your business.
4. List and discuss the four steps an entrepreneur should follow in designing the insurance program for his or her business.
5. Identify how often an entrepreneur should have his or her insurance program reappraised.
6. Explain when it is possible for a small business to be overinsured.

MODEL ASSESSMENT RESPONSES

1. A business protection plan should include (1) establishing policies and procedures based on sound business management practices, supplemented by (2) purchasing adequate insurance protection.

2. Policies and procedures serve as guidelines to be used in making decisions regarding specific situations. They encourage consistent solutions to similar problems.

3. Insurance rates vary according to the type of business, store location, number of employees, maximum cash value, amount of security, equipment installed, and prior losses.

4. To develop an adequate insurance program, an entrepreneur should (1) recognize the risks the business faces, (2) plan the expectations of the insurance program, (3) compare prices and coverages, and (4) get professional advice.

5. A business's insurance program should be reappraised at least every three years.

6. While insurance protection helps to minimize risk, it is possible to overprotect a business. The entrepreneur who carries too much insurance is not using the firm's capital resources most effectively.

SELECTED CURRICULUM RESOURCES

Note to Instructor:
See extensive resource lists in the PACE (Revised) *Resource Guide*.

SELECTED CURRICULUM RESOURCES

American Association of Community and Junior Colleges. *Four Modules in Small Business: Student Guidebook*. Washington, DC: American Association of Community and Junior Colleges.

The American Enterprise Series. Austin, TX: Center for Occupational Curriculum Development, The University of Texas at Austin, 1976.

American Institutes for Research. *Preparing for Curriculum Change*. Vocational Education Curriculum Specialist (VECS) Series, no. 15. Palo Alto, CA: American Institutes for Research, 1981.

American Institutes for Research in the Behavioral Sciences. *Entrepreneurship Training Components*. Madison: Wisconsin Vocational Studies Center, 1980.

A Handbook on Utilization for the Entrepreneurship Training Components for Vocational Education.

Getting Down to Business: What's It All About? Module 1.

Getting Down to Business: What's It All About? Module 1. Teacher Guide.

Getting Down to Business: Tree Service. Module 3.

Getting Down to Business: Garden Center. Module 4.

Getting Down to Business: Fertilizer and Pesticide Service. Module 5.

Getting Down to Business: Dairy Farming. Module 6.

Getting Down to Business: Bicycle Store. Module 10.

Getting Down to Business: Flower and Plant Store. Module 11.

Getting Down to Business: Innkeeping. Module 13.

Getting Down to Business: Nursing Service. Module 14.

Getting Down to Business: Wheelchair Transportation Service. Module 15.

Getting Down to Business: Health Spa. Module 16.

Getting Down to Business: Housecleaning Service. Module 24.

Getting Down to Business: Sewing Service. Module 25.

Getting Down to Business: Home Attendant Service. Module 26.

Getting Down to Business: Guard Service. Module 27.

Getting Down to Business: Pest Control. Module 28.

(Entrepreneurship Training Components continued)

Getting Down to Business: Energy Specialist. Module 29.

Getting Down to Business: Auto Repair Shop. Module 31.

Getting Down to Business: Welder. Module 32.

Getting Down to Business: Construction Electrician. Module 33.

Getting Down to Business: Plumbing Business. Module 35.

Getting Down to Business: Air Conditioning and Heating Service. Module 36.

Arizona State University. *Preparing for Entrepreneurship*. Phoenix: Arizona Department of Education, Research Coordinating Unit, 1979.

Arkansas Department of Education. *Small Business Ownership Management Entrepreneurship*. Fayetteville: University of Arkansas, 1978.

Athena Corporation. *Minding Your Own Small Business*. Bethesda, MD: Athena Corporation, June 1976.

Broadnax, Reginald; Emergy, Ervin A., Jr.; Shell, Vicki; and Turner, Betty H. *Development and Validation of Competency Based Instructional Systems for Adult, Post Secondary, Special Needs and Entrepreneurship via the IDECC System*. Columbus: Interstate Distributive Education Curriculum Consortium, The Ohio State University, March 1979.

CRC Education and Human Development, Inc. *Small Business Management and Ownership: Minding Your Own Small Business, An Introductory Curriculum for Small Business Management*. Vol. 1. Washington, DC: U.S. Government Printing Office, 1979.

CRC Education and Human Development, Inc. *Small Business Management and Ownership: Something Ventured, Something Gained, An Advance Curriculum for Small Business Management*. Vol. 2. Washington, DC: U.S. Government Printing Office, 1979.

CRC Education and Human Development, Inc. *Small Business Management and Ownership: Location Decisions, A Simulation*. Vol. 3. Washington, DC: U.S. Government Printing Office, 1979.

CRC Education and Human Development, Inc. *Small Business Management and Ownership: Mini-Problem in Entrepreneurship, Small Business Management*. Vol. 4. Washington, DC: U.S. Government Printing Office, 1979.

Designing a Marketing Plan for Small Business Management. Columbus: Vocational Instructional Materials Laboratory, The Ohio State University, 1982.

Doin' Business. (includes slide/tape presentation) Austin, TX: Center for Occupational Curriculum Development, The University of Texas at Austin.

Economics and Marketing Learning Activities Packages (LAPs). Columbus: Interstate Distributive Education Curriculum Consortium (IDECC), The Ohio State University.

The Economics of Free Enterprise. Reston, VA: National Distributive Education Clubs of America (DECA), DECA Related Materials.

Estimating Sales and Profits by Class or Department. Columbus: Vocational Instructional Materials Laboratory, The Ohio State University, 1982.

Fergi Builds a Business Series (filmstrip cassettes): *If the Fergi Fits, Wear It; Fergi Goes, Inc.; Fergi Diversifies; Fergi Meets the Challenge*. Burbank, CA: Walt Disney Educational Media Co.

Greenwood, K.M. *Apparel Shop Entrepreneurship (ASE), Instructional Materials*. Stillwater, OK: State Department for Vocational-Technical Education, Curriculum Development Center, 1979.

Holt, Nancy. *Small Business Management and Ownership: Vol. 1, Minding Your Own Small Business, An Introductory Curriculum for Small Business Management*. Washington, DC: U.S. Government Printing Office, 1979.

Holt, Nancy. *Small Business Management and Ownership: Vol. 2, Something Ventured, Something Gained, An Advanced Curriculum for Small Business Management*. Washington, DC: U.S. Government Printing Office, 1979.

Hutt, R.W. *Creating a New Enterprise*. No. D50. Cincinnati, OH: South-Western Publishing, 1981.

The Interstate Distributive Education Curricula Consortium (IDECC). *Economics and Marketing*. Columbus: The Interstate Distributive Education Curricula Consortium, The Ohio State University, 1979.

The Interstate Distributive Education Curricula Consortium (IDECC). *Human Relations*. Columbus: The Interstate Distributive Education Curricula Consortium, The Ohio State University, 1980.

Koeninger, J.G., and Hephn, T. *Jeffrey's Department Store: A Retail Simulation*. New York: Gregg Division, McGraw-Hill Book Company, n.d.

Kuebbeler, Gary L. *Going into Business for Yourself*. Columbus: Ohio Distributive Education Materials Lab., The Ohio State University.

Liles, P.R. *New Business Ventures and the Entrepreneur*. Homewood: Richard D. Irwin, Inc., 1974.

Lucas, S.R. *Financial Management*. (Transparencies) Austin, TX: Center for Occupational Curriculum Development, University of Texas at Austin.

McFarlane, Carolyn. *Entrepreneurship Training Component*. Madison: Wisconsin Vocational Studies Center, University of Wisconsin.

Michigan Marketing and Distributive Education Curriculum Committee. *The School Store . . . Making It Work*. The University of Michigan, 1980.

The National Center for Research in Vocational Education. *Entrepreneurship Package*. Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1978.

The National Center for Research in Vocational Education. *PACE—A Program for Acquiring Competence in Entrepreneurship*. Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1979.

Nelson, Robert E. "An Innovative SBI Program for Community College Instructors." *Journal of Small Business Management* 14, no. 2 (1976): 27-30.

New Entrepreneur. Careers for Now Series. New York: ACI, n.d.

Ohio Adult Distributive Education. *Small Business Advertising*. Columbus: Ohio Distributive Education Materials Lab., The Ohio State University, 1976.

Pricing. Columbus: Vocational Instructional Materials Laboratory, The Ohio State University, 1982.

Reece, Barry. *Achieving Success in Small Business: A Competency-Based Educational Program for Persons Interested in Small Business Ownership*. Madison: Wisconsin Vocational Studies Center, University of Wisconsin.

Reece, B.L., and Lynch, R.L. *Developing Competency Based Individualized Instruction Modules for Owner Managers of Small Business Firms*. Project Abstract. Washington, DC: U.S. Office of Education, Bureau of Occupational and Adult Education, 1977.

Short Term Financing. Columbus: Vocational Instructional Materials Laboratory, The Ohio State University, 1982.

Shuchat, Jo, and Otto, Judith. *Small Business Management and Ownership: Vol. 3, Location Decisions, A Simulation*. Washington, DC: U.S. Government Printing Office, 1979.

Shuchat, Jo. *Small Business Management and Ownership: Vol. 4, Mini-Problems in Entrepreneurship, Small Business Management*. Washington, DC: U.S. Government Printing Office, 1979.

Shuman, J.C., and Hornady, J.A. "Experiential Learning in an Entrepreneurship Course." *Proceedings*. New Orleans: Academy of Management, 1975.

The State Education Department, Bureau of Continuing Education Curriculum Development. *Small Business Management Adult Course Outline*. The University of the State of New York, Albany, 1968.

The State Education Department, Bureau of Continuing Education Curriculum Development. *Small Business Management Part I*. The University of the State of New York, Albany, 1968.

The State Education Department, Bureau of Continuing Education Curriculum Development. *Small Business Management Part II*. The University of the State of New York, Albany, 1970.

To the Top—An Economic Board Game. Columbus: Instructional Materials Laboratory, The Ohio State University.

Training Research and Development Station, Department of Manpower and Immigration. *Small Business Management*. 3d ed. Saskatchewan NewStart, Prince Albert, Saskatchewan, Canada, 1973.

University of Western Illinois. *Entrepreneurship Education: Applying the Skills*. Macomb: Curriculum Publication Clearinghouse, 1980.

University of Western Illinois. *Entrepreneurship Education: Learning the Skills*. Macomb: Curriculum Publication Clearinghouse, 1980.

University of Western Illinois. *Entrepreneurship Education: Supplementary Readings*. Macomb: Curriculum Publication Clearinghouse, 1980.

Virginia Polytechnical Institute and State University. *Achieving Success in Small Business: A Competency-Based Educational Program for Persons Interested in Small Business Ownership*. Madison: Wisconsin Vocational Studies Center, 1977.

Winter, G. *Resource Guide for Entrepreneurial Training*. Albany, NY: SUNY, Two Year College Development Center, 1979.

Winter, G. *Small Business Training Community Needs Assessment Guide*. Albany, NY: SUNY, Two Year College Development Center, 1979.

Winter, Gene M., and Fadale, LaVerna M. *Sourcebook for Improving Postsecondary Self-Employment Programs*. Albany, NY: SUNY, Two Year College Development Center, 1979.

INDIVIDUAL MODULES –			PRICE 2.50 each
	To order Modules Level 1	To order Modules Level 2	To order Modules Level 3
Unit 1. Understanding the Nature of Small Business	RD 240 AB 1	RD 240 BB 1	RD 240 CB 1
Unit 2. Determining Your Potential as an Entrepreneur	RD 240 AB 2	RD 240 BB 2	RD 240 CB 2
Unit 3. Developing the Business Plan	RD 240 AB 3	RD 240 BB 3	RD 240 CB 3
Unit 4. Obtaining Technical Assistance	RD 240 AB 4	RD 240 BB 4	RD 240 CB 4
Unit 5. Choosing the Type of Ownership	RD 240 AB 5	RD 240 BB 5	RD 240 CB 5
Unit 6. Planning the Marketing Strategy	RD 240 AB 6	RD 240 BB 6	RD 240 CB 6
Unit 7. Locating the Business	RD 240 AB 7	RD 240 BB 7	RD 240 CB 7
Unit 8. Financing the Business	RD 240 AB 8	RD 240 BB 8	RD 240 CB 8
Unit 9. Dealing with Legal Issues	RD 240 AB 9	RD 240 BB 9	RD 240 CB 9
Unit 10. Complying with Government Regulations	RD 240 AB 10	RD 240 BB 10	RD 240 CB 10
Unit 11. Managing the Business	RD 240 AB 11	RD 240 BB 11	RD 240 CB 11
Unit 12. Managing Human Resources	RD 240 AB 12	RD 240 BB 12	RD 240 CB 12
Unit 13. Promoting the Business	RD 240 AB 13	RD 240 BB 13	RD 240 CB 13
Unit 14. Managing Sales Efforts	RD 240 AB 14	RD 240 BB 14	RD 240 CB 14
Unit 15. Keeping the Business Records	RD 240 AB 15	RD 240 BB 15	RD 240 CB 15
Unit 16. Managing the Finances	RD 240 AB 16	RD 240 BB 16	RD 240 CB 16
Unit 17. Managing Customer Credit and Collections	RD 240 AB 17	RD 240 BB 17	RD 240 CB 17
Unit 18. Protecting the Business	RD 240 AB 18	RD 240 BB 18	RD 240 CB 18

Prices include postage and handling.

PURCHASE OPTIONS for PACE (Revised)

	Specify Order Number			Price
Complete Set (Instructors' Guides, 18 Modules for three levels, and Resource Guide)	RD 240			$120.00/set
	Level 1	**Level 2**	**Level 3**	
Sets by Levels (Instructors' Guide, 18 Modules, and Resource Guide)	RD 240 A	RD 240 B	RD 240 C	45.00/level
Individual Items				
Instructors' Guide	RD 240 AA	RD 240 BA	RD 240 CA	14.50/ea.
Resource Guide	RD 240 D (same for all levels)			7.95/ea.
Module Sets	RD 240 AB	RD 240 BB	RD 240 CB	35.00/set

Complete listing of module titles and order numbers shown on opposite page.

ORDERING INSTRUCTIONS

To order additional copies, please use order number and title. Orders of $10.00 or less should be prepaid. Make remittance payable to the National Center for Research in Vocational Education. Mail order to:

The National Center for Research
in Vocational Education
National Center Publications, Box F
1960 Kenny Road
Columbus, Ohio 43210

Prices listed are in effect at the time of publication of this book. All prices include postage and handling. Prices are subject to change without notice.

Quantity Discounts
Orders of five (5) or more items, as listed by publication number and title, with a total dollar value for the order of:

$ 50 to $100, the discount is 5%
$101 to $200, the discount is 10%
$201 to $300, the discount is 15%
$301 to $400, the discount is 20%
$401 and above, the discount is 25%

International Orders
All orders, in any amount, from outside the United States and its possessions are to be paid in U.S. currency. Additional postage and handling charges may be added for foreign shipments if necessary.

Level 3

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

OSU

The Ohio State University